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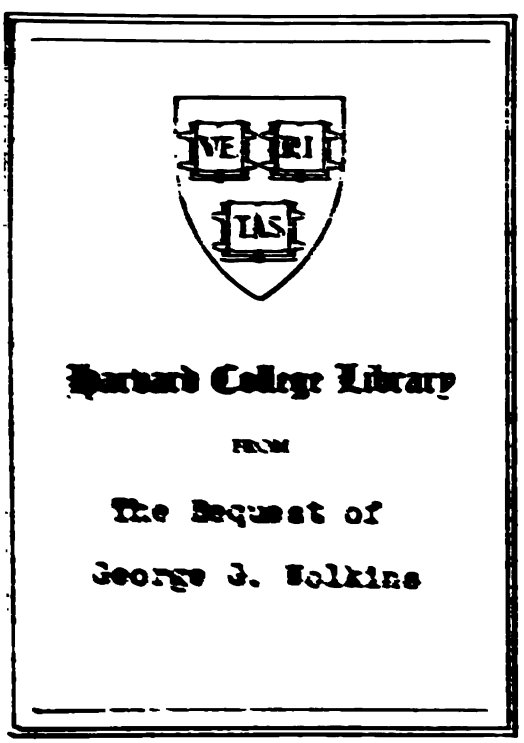
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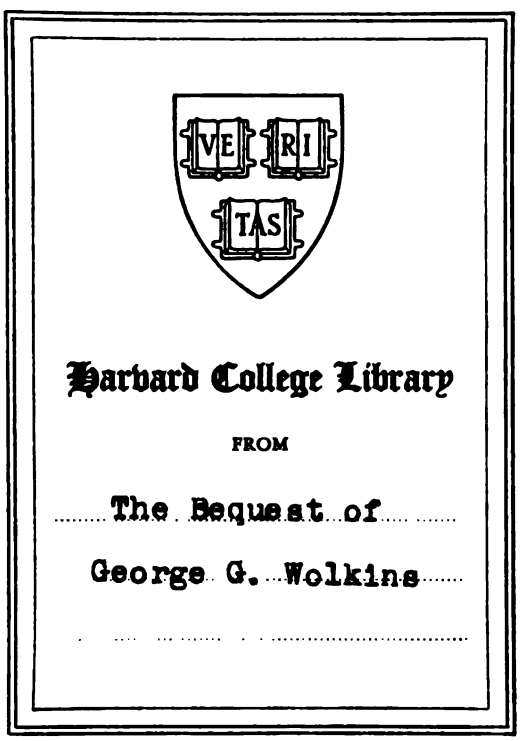
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[HAMILTON—*The Farmer Refuted*, 1775, Æt. 18.]

"We are laboring hard to establish in this country principles more and more *national*, and free from all foreign ingredients, so that we may be neither 'Greeks nor Trojans,' but truly Americans."—[HAMILTON TO KING, 1796, Æt. 39.]

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CONVENTION OF NEW YORK

CONVENTION OF NEW YORK

SPEECH ON THE COMPROMISES OF THE CONSTITUTION [1]

POUGHKEEPSIE, June 20, 1788.

MR. CHAIRMAN:

The honorable member who spoke yesterday went into an explanation of a variety of circumstances to prove the expediency of a change in our National Government, and the necessity of a firm Union; at the same time he described the great advantages which this State, in particular, receives from the Confederacy, and its peculiar weaknesses when abstracted from the Union. In doing this he advanced a variety of arguments which deserve serious consideration. Gentlemen have this day come forward to answer him. He has been treated as having wandered in the flowery fields of fancy, and attempts have been made to take off from the minds of the committee that sober impression which might be expected from his arguments. I trust, sir, that observations of this kind are not thrown out to cast a light air on this important subject; or to give any

[1] The reporter of this, and of the following speeches, observes: "He thinks an apology due for the imperfect dress in which these arguments are given to the public. Not long accustomed, he cannot pretend as much accuracy as might be expected from a more experienced hand."

personal bias on the great question before us. I will not agree with gentlemen who trifle with the weaknesses of our country; and suppose that they are enumerated to answer a party purpose, and to terrify with ideal dangers. No; I believe these weaknesses to be real, and pregnant with destruction. Yet, however weak our country may be, I hope we shall never sacrifice our liberties. If, therefore, on a full and candid discussion, the proposed system shall appear to have that tendency, for God's sake, let us reject it! But, let us not mistake words for things, nor accept doubtful surmises as the evidence of truth. Let us consider the Constitution calmly and dispassionately, and attend to those things only which merit consideration.

No arguments drawn from embarrassment or inconvenience ought to prevail upon us to adopt a system of government radically bad; yet it is proper that these arguments, among others, should be brought into view. In doing this yesterday it was necessary to reflect upon our situation, to dwell upon the imbecility of our Union, and to consider whether we, as a State, could stand alone.

Although I am persuaded this convention will be resolved to adopt nothing that is bad, yet I think every prudent man will consider the merits of the plan in connection with the circumstances of our country; and that a rejection of the Constitution may involve most fatal consequences. I make these remarks to show that, though we ought not to be actuated by unreasonable fear, yet we ought to be prudent.

This day, sir, one gentleman has attempted to answer the arguments advanced by my honorable friend; another has treated him as having wandered from the subject. This being the case, I trust I shall be equally indulged in reviewing the remarks which have been made.

Sir, it appears to me extraordinary, that while gentlemen in one breath acknowledge that the old Confederation requires many material amendments, they should, in the next, deny that its defects have been the cause of our political weakness, and the consequent calamities of our country. I cannot but infer from this that there is still some lurking favorite imagination that this system, with corrections, might become a safe and permanent one. It is proper that we should examine this matter. We contend that the radical vice in the old Confederation is that the laws of the Union apply only to the States in their corporate capacity. Has not every man who has been in our Legislature experienced the truth of this position? It is inseparable from the disposition of bodies who have a constitutional power of resistance, to examine the merits of a law. This has ever been the case with the federal requisitions. In this examination, not being furnished with those lights which directed the deliberations of the General Government, and incapable of embracing the general interests of the Union, the States have almost uniformly weighed the requisitions by their own local interests, and have only executed them so far as answered their particular convenience or advantage. Hence there have ever been thirteen different

bodies to judge of the measures of Congress—and the operations of government have been distracted by their taking different courses. Those which were to be benefited have complied with the requisitions; others have totally disregarded them. Have not all of us been witnesses to the unhappy embarrassments which resulted from these proceedings? Even during the late war, while the pressure of common danger connected strongly the bond of our union, and excited to vigorous exertions, we have felt many distressing effects of the impotent system. How have we seen this State, though most exposed to the calamities of the war, complying, in an unexampled manner, with the federal requisitions, and compelled by the delinquency of others to bear most unusual burdens! Of this truth we have the most solemn evidence on our records. In 1779 and 1780, when the State, from the ravages of war, and from her great exertions to resist them, became weak, distressed, and forlorn, every man avowed the principle we now contend for: that our misfortunes, in a great degree, proceeded from the want of vigor in the Continental Government. These were our sentiments when we did not speculate, but felt. We saw our weakness, and found ourselves its victims. Let us reflect that this may again, in all probability, be our situation. This is a weak State, and its relative station is dangerous. Your capital is accessible by land, and by sea is exposed to every daring invader; and on the northwest you are open to the inroads of a powerful foreign nation. Indeed this State, from its situation,

will, in time of war, probably be the theatre of its operations.

Gentlemen have said that the non-compliance of the States has been occasioned by their sufferings. This may in part be true. But has this State been delinquent? Amidst all our distresses, *we* have fully complied. If New York could comply wholly with the requisitions, is it not to be supposed that the other States could in part comply? Certainly every State in the Union might have executed them in some degree. But New Hampshire, who has not suffered at all, is totally delinquent. North Carolina is totally delinquent. Many others have contributed in a very small proportion; and Pennsylvania and New York are the only States which have perfectly discharged their federal duty.

From the delinquency of those States which have suffered little by the war, we naturally conclude that they have made no efforts, and a knowledge of human nature will teach us that their ease and security have been a principal cause of their want of exertion. While danger is distant its impression is weak, and while it affects only our neighbors, we have few motives to provide against it. Sir, if we have national objects to pursue, we must have national revenues. If you make requisitions and they are not complied with, what is to be done? It has been well observed, that to coerce the States is one of the maddest projects that was ever devised. A failure of compliance will never be confined to a single State; this being the case, can we suppose it wise to hazard a civil war? Suppose Massachusetts or any

large State should refuse, and Congress should attempt to compel them, would they not have influence to procure assistance, especially from those States who are in the same situation as themselves? What a picture does this idea present to our view! A complying State at war with a non-complying State; Congress marching the troops of one State into the bosom of another; this State collecting auxiliaries and forming perhaps a majority against its federal head. Here is a nation at war with itself! A government that can exist only by the sword! Every such war must involve the innocent with the guilty. This single consideration should be sufficient to dispose every peaceable citizen against such a government.

But can we believe that one State will ever suffer itself to be used as an instrument of coercion? It is a dream. It is impossible. We are brought to this dilemma: Either a federal standing army is to enforce the requisitions, or the federal treasury is left without supplies, and the government without support. What is the cure for this great evil? Nothing but to enable the national laws to operate on individuals, in the same manner as those of the States do. This is the true reasoning upon the subject. Gentlemen appear to acknowledge its force, and yet, while they yield to the principle, they seem to fear its application to this government.

What shall we do? Shall we take the old Confederation as the basis of a new system? Can this be the object of gentlemen? Certainly not. Will any man who entertains a wish for the safety of his

country trust the sword and the purse with a single Assembly, organized on principles so defective? Though we might give to such a government certain powers with safety, yet to give them the full and unlimited powers of taxation and the national forces would be to establish a despotism, the definition of which is, a government in which all power is concentrated in a single body. To take the old Confederation, and fashion it upon these principles, would be establishing a power which would destroy the liberties of the people. These considerations show clearly that a government totally different must be instituted. They had weight in the convention who formed the new system. It was seen that the necessary powers were too great to be trusted to a single body; they, therefore, formed two branches, and divided the powers, that each might be a check upon the other. This was the result of their wisdom, and I presume that every reasonable man will agree to it. The more this subject is explained, the more clear and convincing it will appear to every member of this body. The fundamental principle of the old Confederation is defective. We must totally eradicate and discard this principle before we can expect an efficient government. The gentlemen who have spoken to-day have taken up the subject of the ancient confederacies; but their view of them has been extremely partial and erroneous; the fact is, the same false and impracticable principle ran through most of the ancient governments. The first of these governments that we read of was the Amphyctionic

confederacy. The council which managed the affairs of this league possessed powers of a similar complexion with those of our present Congress. The same feeble mode of legislation in the head, and the same power of resistance in the members, prevailed. When a requisition was made, it rarely met a compliance, and a civil war was the consequence. Those which were attacked called in foreign aid to protect them; and the ambitious Philip, under the mask of an ally to one, invaded the liberties of each, and finally subverted the whole.

The operation of this principle appears in the same light in the Dutch republics. They have been obliged to levy taxes by an armed force. In this confederacy, one large province, by its superior wealth and influence, is commonly a match for all the rest; and when they do not comply, the province of Holland is obliged to compel them. It is observed that the United Provinces have existed a long time; but they have been constantly the sport of their neighbors, and have been supported only by the external pressure of surrounding powers. The policy of Europe, not the policy of their government has saved them from dissolution. Besides, the powers of the Stadtholder have served to give an energy to the operations of his government, which is not to be found in ours. This prince has a vast personal influence; he has independent revenues; he commands an army of forty thousand men.

The German confederacy has also been a perpetual source of wars. They have a Diet, like our Congress, who have authority to call for supplies;

these calls are never obeyed; and, in time of war, the imperial army never takes the field till the enemy are returning from it. The Emperor's Austrian dominions, in which he is an absolute prince, alone enable him to make head against the common foe. The members of this confederacy are ever divided and opposed to each other. The King of Prussia is a member; yet he has been constantly in opposition to the Emperor. Is this a desirable government?

I might go more particularly into the discussion of examples, and show that, wherever this fatal principle has prevailed, even as far back as the Lycian and Achæan leagues, as well as the Amphyctionic confederacy, it has proved the destruction of the government. But I think observations of this kind might have been spared. Had they not been entered into by others, I should not have taken up so much of the time of the committee. No inference can be drawn from these examples that republics cannot exist; we only contend that they have hitherto been founded on false principles. We have shown how they have been conducted, and how they have been destroyed. Weakness in the head has produced resistance in the members; this has been the immediate parent of civil war; auxiliary force has been invited, and a foreign power has annihilated their liberties and their name. Thus Philip subverted the Amphyctionic, and Rome the Achæan Republic.

We shall do well, sir, not to deceive ourselves with the favorable events of the late war. Common

danger prevented the operation of the ruinous principle in its full extent. But since the peace, we have experienced the evils. We have felt the poison of the system in its unmingled purity.

Without dwelling any longer on this subject, I shall proceed to the question immediately before the committee.

In order that the committee may understand clearly the principles on which the general convention acted, I think it necessary to explain some preliminary circumstances.

Sir, the natural situation of this country seems to divide its interests into different classes. There are navigating and non-navigating States. The Northern are properly the navigating States; the Southern appear to possess neither the means nor the spirit of navigation. This difference in situation naturally produces a dissimilarity of interests and views respecting foreign commerce. It was the interest of the Northern States, that there should be no restraints on their navigation, and that they should have full power, by a majority in Congress, to make commercial regulations in favor of their own, and in restraint of the navigation of foreigners. The Southern States wished to impose a restraint on the Northern, by requiring that two thirds in Congress should be requisite to pass an act in regulation of commerce. They were apprehensive that the restraints of a navigation law would discourage foreigners; and, by obliging them to employ the shipping of the Northern States, would probably enhance their freight. This being the case, they

insisted strenuously on having this provision ingrafted in the Constitution; and the Northern States were as anxious in opposing it. On the other hand, the small States, seeing themselves embraced by the Confederation upon equal terms, wished to retain the advantages which they already possessed. The large States, on the contrary, thought it improper that Rhode Island and Delaware should enjoy an equal suffrage with themselves. From these sources a delicate and difficult contest arose. It became necessary, therefore, to compromise, or the convention must have dissolved without effecting any thing. Would it have been wise and prudent in that body, in this critical situation, to have deserted their country? No. Every man who hears me—every wise man in the United States would have condemned them. The convention were obliged to appoint a committee for accommodation. In this committee the arrangement was formed as it now stands, and their report was accepted. It was a delicate point, and it was necessary that all parties should be indulged. Gentlemen will see that if there had not been unanimity, nothing could have been done. For the convention had no power to establish, but only to recommend, a good government. Any other system would have been impracticable. Let a convention be called to-morrow. Let them meet twenty times—nay, twenty thousand times,—they will have the same difficulties to encounter—the same clashing interests to reconcile.

But, dismissing these reflections, let us consider how far the arrangement is in itself entitled to the

approbation of this body. We will examine it upon its own merits.

The first thing objected to is that clause which allows a representation for three fifths of the negroes. Much has been said of the impropriety of representing men who have no will of their own. Whether this be reasoning or declamation, I will not presume to say. It is the unfortunate situation of the Southern States to have a great part of their population as well as property in blacks. The regulation complained of was one result of the spirit of accommodation which governed the convention; and without this indulgence no UNION could possibly have been formed. But, sir, considering some peculiar advantages which we derive from them, it is entirely just that they should be gratified. The Southern States possess certain staples—tobacco, rice, indigo, etc.—which must be capital objects in treaties of commerce with foreign nations; and the advantage which they necessarily procure in these treaties will be felt throughout all the States. But the justice of this plan will appear in another view. The best writers on government have held that representation should be compounded of persons and property. This rule has been adopted, as far as it could be, in the Constitution of New York. It will, however, be by no means admitted that the slaves are considered altogether as property. They are men, though degraded to the condition of slavery. They are persons known to the municipal laws of the States which they inhabit, as well as to the laws of nature. But representation and taxation go together, and one

uniform rule ought to apply to both. Would it be just to compute these slaves in the assessment of taxes, and discard them from the estimate in the apportionment of representatives? Would it be just to impose a singular burthen without conferring some adequate advantage?

Another circumstance ought to be considered. The rule we have been speaking of is a general rule, and applies to all the States. You have a great number of people in your State which are not represented at all, and have no voice in your government. These will be included in the enumeration, not two fifths, or three fifths, but the whole. This proves that the advantages of the plan are not confined to the Southern States, but extend to other parts of the Union.

I now proceed to consider the objection with regard to the number of representatives as it now stands. I am persuaded that the system, in this respect, is on a better footing than the gentlemen imagine.

It has been asserted that it will be in the power of Congress to reduce the number. I acknowledge that there are no direct words of prohibition. But I contend that the true and genuine construction of the clause gives Congress no power whatever to reduce the representation below the number as it now stands. Although they may limit, they can never diminish the number. One representative for every thirty thousand inhabitants is fixed as the standard of increase, till, by the natural course of population, it shall become necessary to limit the ratio.

Probably, at present, were this standard to be immediately applied, the representation would considerably exceed sixty-five. In three years, it would exceed a hundred. If I understand the gentlemen, they contend that the number may be enlarged, or may not. I admit that this is in the discretion of Congress; and I submit to the committee whether it be not necessary and proper. Still, I insist that an immediate limitation is not probable; nor was it in the contemplation of the convention. But, sir, who will presume to say to what precise point the representation ought to be increased? This is a matter of opinion; and opinions are vastly different upon the subject. In Massachusetts, the Assembly consists of about three hundred; in South Carolina, of nearly one hundred; in New York, there are sixty-five. It is observed generally that the number ought to be large. I confess it is difficult for me to say what number may be said to be sufficiently large. On one hand, it ought to be considered that a small number will act with more facility, system, and decision. On the other, that a large one may enhance the difficulty of corruption. The Congress is to consist at first of ninety-one members. This, to a reasonable man, may appear to be as near the proper medium as any number whatever; at least, for the present. There is one source of increase, also, which does not depend upon any constructions of the Constitution: it is the creation of new States. Vermont, Kentucky, and Franklin will probably soon become independent. New members of the Union will also be formed from the unsettled tracts

of western territory. These must be represented, and will all contribute to swell the Federal Legislature. If the whole number in the United States be at present three millions, as is commonly supposed, according to the ratio of one for thirty thousand, we shall have, on the first census, a hundred representatives. In ten years, thirty more will be added; and in twenty-five years, the number will double. Then, sir, we shall have two hundred, if the increase goes on in the same proportion. The convention of Massachusetts, who made the same objection, have fixed upon this number as the point at which they chose to limit the representation. But can we pronounce with certainty that it will not be expedient to go beyond this number? We cannot. Experience alone may determine. This problem may with more safety be left to the discretion of the Legislature, as it will be the interest of the larger and increasing States of Massachusetts, New York, Pennsylvania, etc., to augment the representation. Only Connecticut, Rhode Island, Delaware, and Maryland, can be interested in limiting it. We may, therefore, safely calculate upon a growing representation, according to the advance of population and the circumstances of the country.

The State governments possess inherent advantages, which will ever give them an influence and ascendency over the National Government, and will for ever preclude the possibility of federal encroachments. That their liberties, indeed, can be subverted by the federal head, is repugnant to every rule of political calculation. Is not this arrangement, then,

sir, a most wise and prudent one? Is not the present representation fully adequate to our present exigencies, and sufficient to answer all the purposes of the Union? I am persuaded that an examination of the objects of the Federal Government will afford a conclusive answer.

Many other observations might be made on this subject, but I cannot now pursue them, for I feel myself not a little exhausted; I beg leave, therefore, to waive for the present the further discussion of this question.

SPEECH ON THE CONSTITUTION RESUMED

June 21, 1788: Mr. Hamilton resumed his argument. When, said he, I had the honor to address the committee yesterday, I gave a history of the circumstances which attended the convention, when forming the plan before you. I endeavored to point out to you the principles of accommodation on which this arrangement was made, and to show that the contending interests of the States led them to establish the representation as it now stands. In the second place, I attempted to prove that, in point of number, the representation would be perfectly secure.

Sir, no man agrees more fully than myself to the main principle for which the gentlemen contend. I agree that there should be a broad democratic branch in the National Legislature. But this matter depends on circumstances. It is impossible, in the first instance, to be precise and exact with regard

to the number; and it is equally impossible to determine to what point it may be brought in future to increase it. On this ground, I am disposed to acquiesce. In my reasonings on the subject of government, I rely more on the interests and opinions of men, than upon any speculative parchment provisions whatever. I have found that constitutions are more or less excellent, as they are more or less agreeable to the natural operation of things; I am therefore disposed not to dwell long on curious speculations, or pay much attention to modes and forms, but to adopt a system whose principles have been sanctioned by experience, adapt it to the real state of our country, and depend on probable reasonings for its operation and result. I contend that sixty-five and twenty-six, in two bodies, afford perfect security in the present state of things; and that the regular progressive enlargement, which was in the contemplation of the general convention, will leave not an apprehension of danger in the most timid and suspicious mind. It will be the interest of the large States to increase the representation. This will be the standing instruction to their delegates. But the members of Congress will be interested not to increase the number, as it will diminish their relative influence. In all the reasoning upon this subject, there seems to be this fallacy: They suppose that the representative will have no motive of action, on the one side, but a sense of duty; or, on the other, but corruption. They do not reflect that he is to return to the community—that he is dependent on the will of the people—and that it

cannot be his interest to oppose their wishes. Sir, the general sense of the people will regulate the conduct of their representatives. I admit that there are exceptions to this rule. There are certain conjunctures when it may be necessary and proper to disregard the opinions which the majority of the people have formed; but, in the general course of things, the popular views, and even prejudices, will direct the actions of the rulers.

All governments, even the most despotic, depend, in a great degree, on opinion. In free republics it is most peculiarly the case. In these the will of the people makes the essential principle of the government, and the laws which control the community receive their tone and spirit from the public wishes. It is the fortunate situation of our country, that the minds of the people are exceedingly enlightened and refined. Here, then, we may expect the laws to be proportionately agreeable to the standard of a perfect policy, and the wisdom of public measures to consist with the most intimate conformity between the views of the representative and his constituent. If the general voice of the people be for an increase, it undoubtedly must take place. They have it in their power to instruct their representatives, and the State Legislatures, which appoint the Senators, may enjoin it also upon them. If I believed that the number would remain at sixty-five, I confess I should give my vote for an amendment, though in a different form from the one proposed.

The amendment proposes a ratio of one for twenty thousand. I would ask: By what rule or reasoning

is it determined that one man is a better representative for twenty than for thirty thousand? At present we have three millions of people; in twenty-five years we shall have six millions; and in forty years nine millions; and this is a short period as it relates to the existence of States. Here, then, according to the ratio of one for thirty thousand, we shall have, in forty years, three hundred representatives. If this be true, and if this be a safe representation, why be dissatisfied? Why embarrass the Constitution with amendments that are merely speculative and useless? I agree with the gentleman, that a very small number might give some color for suspicion. I acknowledge that ten would be unsafe; on the other hand, a thousand would be too numerous. But, I ask him, why will not ninety-one be an adequate and safe representation? This, at present, appears to be the proper medium. Besides, the President of the United States will be himself the representative of the people. From the competition that ever subsists between the branches of the government, the President will be induced to protect their rights, whenever they are invaded by either branch. On whatever side we view this subject, we discover various and powerful checks to the encroachments of Congress. The true and permanent interests of the members are opposed to corruption. Their number is vastly too large for easy combination. The rivalship between the houses will for ever prove an insuperable obstacle. The people have an obvious and powerful protection in their own State governments. Should anything dangerous be

attempted, these bodies of perpetual observation will be capable of forming and conducting plans of regular opposition. Can we suppose the people's love of liberty will not, under the incitement of their legislative leaders, be roused into resistance, and the madness of tyranny be extinguished at a blow? Sir, the danger is too distant; it is beyond all rational calculations.

It has been observed that a pure democracy, if it were practicable, would be the most perfect government. Experience has proved, that no position in politics is more false than this. The ancient democracies, in which the people themselves deliberated, never possessed one feature of good government. Their very character was tyranny; their figure deformity. When they assembled, the field of debate presented an ungovernable mob, not only incapable of deliberation, but prepared for every enormity. In these assemblies the enemies of the people brought forward their plans of ambition systematically. They were opposed by their enemies of another party; and it became a matter of contingency, whether the people subjected themselves to be led blindly by one tyrant or by another.

It was remarked yesterday that a numerous representation was necessary to obtain the confidence of the people. This is not generally true. The confidence of the people will easily be gained by a good administration. This is the true touchstone. I could illustrate the position by a variety of historical examples both ancient and modern. In Sparta, the Ephori were a body of magistrates, instituted as a

check upon the Senate and representing the people. They consisted of only five men; but they were able to protect their rights, and therefore enjoyed their confidence and attachment. In Rome the people were represented by three tribunes, who were afterwards increased to ten. Every one acquainted with the history of that republic will recollect how powerful a check to the senatorial encroachments this small body proved; how unlimited a confidence was placed in them by the people whose guardians they were; and to what a conspicuous station in the government their influence at length elevated the plebeians. Massachusetts has three hundred representatives; New York has sixty-five. Have the people in this State less confidence in their representation than the people of that? Delaware has twenty-one: do the inhabitants of New York feel a higher confidence than those of Delaware? I have stated these examples to prove that the position is not just. The popular confidence depends on circumstances very distinct from considerations of number. Probably the public attachment is more strongly secured by a train of prosperous events, which are the result of wise deliberation and of vigorous execution, and to which large bodies are much less competent than small ones. If the representative conducts with propriety, he will necessarily enjoy the good-will of the constituent. It appears, then, if my reasoning be just, that the clause is perfectly proper, upon the principles of the gentleman who contends for the amendment, as there is in it the greatest degree of present security,

and a moral certainty of an increase equal to our utmost wishes.

It has been observed that a large representation is necessary to understand the true interests of the people. This opinion is by no means true in the extent to which it is carried. I would ask: Why may not a man understand the interests of thirty as well as of twenty? The position appears to be based upon the unfounded presumption that all the interests of all parts of the community must be represented. No idea is more erroneous than this. Only such interests are proper to be represented as are involved in the powers of the General Government. These interests come completely under the observation of one or a few men; and the requisite information is by no means augmented in proportion to the increase of number. What are the objects of the government? Commerce, taxation, etc. In order to comprehend the interests of commerce, is it necessary to know how wheat is raised, and in what proportion it is produced in one district and in another? By no means. Neither is this species of knowledge necessary in general calculations upon the subject of taxation. The information necessary for these purposes is that which is open to every intelligent inquirer; and of which five men may be as perfectly possessed as fifty. In regal governments there are usually particular men to whom the business of taxation is committed. These men have the forming of systems of finance and the regulation of the revenue. I do not mean to commend this practice. It proves, however, this point: that a few in-

dividuals may be competent to these objects; and that large numbers are not necessary to perfection in the science of taxation. But, granting for a moment that this minute and local knowledge the gentlemen contend for is necessary, let us see if, under the new Constitution, it will not probably be found in the representation. The natural and proper mode of holding elections will be to divide the State into districts, in proportion to the number to be elected. This State will consequently be divided at first into six. One man from each district will probably possess all the knowledge the gentlemen can desire. Are the Senators of this State more ignorant of the interests of the people than the Assembly? Have they not ever enjoyed their confidence as much? Yet, instead of six districts, they are elected in four; and the chance of their being elected from the smaller divisions of the State consequently diminished. Their number is but twenty-four; and their powers are coextensive with those of the Assembly, and reach objects which are most dear to the people —life, liberty, and property.

We hear constantly a great deal which is more calculated to awake our passions and create prejudices than to conduct us to truth and teach us our real interests. I do not suppose this to be the design of gentlemen. Why, then, are we told so often of an aristocracy? For my part, I hardly know the meaning of this word as it is applied. If all we hear be true, this government is really a very bad one. But who are the aristocracy among us? Where do we find men elevated to a perpetual rank among

our fellow-citizens, and possessing powers entirely independent of them? The arguments of the gentlemen only go to prove that there are men who are rich, men who are poor; some who are wise, and others who are not; that, indeed, every distinguished man is an aristocrat. Does the new government render a rich man more eligible than a poor one? No! It requires no such qualification. It is bottomed on the broad and equal principle of your State constitution.

Sir, if the people have it in their option to elect their most meritorious men, is this to be considered an objection? Shall the Constitution oppose their wishes and abridge their most invaluable privilege? While property continues to be pretty equally divided, and a considerable share of information pervades the community, the tendency of the people's suffrages will be to elevate merit even from obscurity. As riches increase and accumulate in few hands, as luxury prevails in society, virtue will be in a greater degree considered as only a graceful appendage of wealth, and the tendency of things will be to depart from the republican standard. This is the real disposition of human nature; it is what neither the honorable member nor myself can correct. It is a common misfortune that awaits our State constitution, as well as all others.

There is an advantage incident to large districts of election, which, perhaps, the gentlemen, amidst all their apprehensions of influence and bribery, have not adverted to. In large districts the corruption of the electors is much more difficult. Combinations

for the purposes of intrigue are less easily formed. Factions and cabals are little known. In a small district, wealth will have a more complete influence, because the people in the vicinity of a great man are more immediately his dependents, and because this influence has fewer objects to act upon. It has been remarked that it would be disagreeable to the middle class of men to go to the seat of the new government. If this be so the difficulty will be enhanced by the gentleman's proposal. If his argument be true, it proves that the larger the representation is the less will be your chance of having it filled. But, it appears to me frivolous to bring forward such arguments as these. It has answered no other purpose than to induce me, by way of reply, to enter into discussions which I consider as useless and not applicable to our subject.

It is a harsh doctrine, that men grow wicked in proportion as they improve and enlighten their minds. Experience has by no means justified us in the supposition that there is more virtue in one class of men than in another. Look through the rich and the poor of the community; the learned and the ignorant. Where does virtue predominate? The difference indeed consists, not in the quantity, but kind of vices, which are incident to the various classes; and here the advantage of character belongs to the wealthy. Their vices are probably more favorable to the prosperity of the State than those of the indigent, and partake less of moral depravity.

After all, we must submit to this idea, that the true principle of a republic is that the people should

choose whom they please to govern them. Representation is imperfect in proportion as the current of popular favor is checked. This great source of free government, popular election, should be perfectly pure, and the most unbounded liberty allowed. Where this principle is adhered to; where, in the organization of the government, the legislative, executive, and judicial branches are rendered distinct; where, again, the legislative is divided into separate houses, and the operations of each are controlled by various checks and balances, and above all by the vigilance and weight of the State governments, to talk of tyranny and the subversion of our liberties, is to speak the language of enthusiasm. This balance between the National and State governments ought to be dwelt on with peculiar attention, as it is of the utmost importance. It forms a double security to the people. If one encroaches on their rights they will find a powerful protection in the other. Indeed, they will both be prevented from overpassing their constitutional limits by a certain rivalship, which will ever subsist between them. I am persuaded that a firm union is as necessary to perpetuate our liberties as it is to make us respectable; and experience will probably prove that the National Government will be as natural a guardian of our freedom as the State Legislatures themselves.

Suggestions of an extraordinary nature have been frequently thrown out in the course of the present political controversy. It gives me pain to dwell on topics of this kind; and I wish they might be dis-

missed. We have been told that the old Confederation has proved inefficacious, only because intriguing and powerful men, aiming at a revolution, have been for ever instigating the people and rendering them disaffected to it. This, sir, is a false insinuation.

I will venture to assert that no combination of designing men under heaven will be capable of making a government unpopular which is in its principles a wise and good one, and vigorous in its operations.

The Confederation was framed amidst the agitation and tumult of society. It was composed of unsound materials, put together in haste. Men of intelligence discovered the feebleness of the structure in the first stages of its existence, but the great body of the people, too much engrossed with their distresses to contemplate any but the immediate causes of them, were ignorant of the defects of their Constitution. But, when the dangers of war were removed, they saw clearly what they had suffered, and what they had yet to suffer from a feeble form of government. There was no need of discerning men to convince the people of their unhappy situation. The complaint was coextensive with the evil, and both were common to all classes of the community. We have been told that the spirit of patriotism and love of liberty are almost extinguished among the people, and that it has become a prevailing doctrine, that republican principles ought to be hooted out of the world. Sir, I am confident that such remarks as these are rather occasioned by the heat of argument, than by a cool conviction of their truth and

justice. As far as my experience has extended, I have heard no such doctrine, nor have I discovered any diminution of regard for those rights and liberties, in defence of which the people have fought and suffered. There have been, undoubtedly, some men who have had speculative doubts on the subject of government, but the principles of republicanism are founded on too firm a basis to be shaken by a few speculative and skeptical reasoners. Our error has been of a very different kind. We have erred through excess of caution, and a zeal false and impracticable. Our councils have been destitute of consistency and stability. I am flattered with a hope, sir, that we have now found a cure for the evils under which we have so long labored. I trust that the proposed Constitution affords a genuine specimen of representative and republican government; and that it will answer, in an eminent degree, all the beneficial purposes of society.

June 21, 1788—Mr. Hamilton: Mr. Chairman, I rise to take notice of the observation of the honorable member from Ulster. I imagine the objections he has stated are susceptible of a complete and satisfactory refutation. But, before I proceed to this, I shall attend to the arguments advanced by the gentleman from Albany and Dutchess. These arguments have been frequently urged, and much confidence has been placed in their strength. The danger of corruption has been dwelt upon with peculiar emphasis, and presented to our view in the most heightened and unnatural coloring. Events merely possible have been magnified, by distempered im-

agination, into inevitable realities; and the most distant and doubtful conjectures have been formed into a serious and infallible prediction. In the same spirit, the most fallacious calculations have been made. The lowest possible quorum has been contemplated, as the number to transact important business, and a majority of these to decide in all cases on questions of infinite moment. Allowing, for the present, the propriety and truth of these apprehensions, it would be easy, in comparing the two Constitutions, to prove that the chances of corruption under the new are much fewer than those to which the old is exposed. Under the old Confederation, the important powers of declaring war, making peace, etc., can be exercised by nine States. On the presumption that the smallest constitutional number will deliberate and decide, those interesting powers will be committed to fewer men under the ancient than under the new government. In the former, eighteen members, in the latter, not less than twenty-four, may determine all great questions. Thus, on the principles of the gentlemen, the fairer prospect of safety is clearly visible in the new government. That we may have the fullest conviction of the truth of this position, it ought to be suggested, as a decisive argument, that it will ever be the interest of the several States to maintain, under the new government, an ample representation; for, as every member has a vote, the relative influence and authority of each State will be in proportion to the number of representatives she has in Congress. There is not, therefore, a shadow of probability that

the number of acting members, in the General Legislature, ever will be reduced to a bare quorum; especially as the expense of their support is to be defrayed from a federal treasury. But, under the existing Confederation, each State has but one vote. It will be a matter of indifference, on the score of influence, whether she delegates two or six representatives; and the maintenance of them, forming a striking article in the State expenditures, will for ever prove a capital inducement to retain or withdraw from the Federal Legislatures those delegates which her selfishness may too often consider as superfluous. There is another source of corruption, in the old government, which the proposed plan is happily calculated to remedy. The concurrence of nine States, as has been observed, is necessary to pass resolves the most important, and on which the safety of the public may depend. If these nine States are at any time assembled, a foreign enemy, by dividing a State, and gaining over and silencing a single member, may frustrate the most indispensable plan of national policy, and totally prevent a measure essential to the welfare or existence of the empire. Here, then, we find a radical, dangerous defect, which will for ever embarrass and obstruct the machine of government, and suspend our fate on the uncertain virtue of an individual.

What a difference between the old and new Constitution strikes our view! In the one, corruption must embrace a majority; in the other, her poison, administered to a single man, may render the efforts of a majority totally vain. This mode of corruption

is still more dangerous, as its operations are more secret and imperceptible. The exertions of active villany are commonly accompanied with circumstances which tend to its own exposure; but this negative kind of guilt has so many plausible apologies as almost to elude suspicion.

In all reasonings on the subject of corruption, much use has been made of the examples furnished by the British House of Commons. Many mistakes have arisen from fallacious comparisons between our government and theirs. It is time that the real state of this matter should be explained. By far the greatest part of the House of Commons is composed of representatives of towns and boroughs. These towns had anciently no voice in Parliament; but on the extension of commercial wealth and influence, they were admitted to a seat. Many of them are in possession and gift of the king; and, from their dependence on him, and the destruction of the right of free election, they are stigmatized with the appellation of rotten boroughs. This is the true source of the corruption which has so long excited the severe animadversion of zealous politicians and patriots. But the knights of the shire, who form another branch of the House of Commons, and who are chosen from the body of the counties they represent, have been generally esteemed a virtuous and incorruptible set of men. I appeal, sir, to the history of that House; this will show us that the rights of the people have ever been safely trusted to their protection; that they have been the ablest bulwarks of the British commons; and that, in the

conflict of parties, by throwing their weight into one scale or the other, they have uniformly supported and strengthened the constitutional claims of the people.

Notwithstanding the cry of corruption that has been perpetually raised against the House of Commons, it has been found that that House, sitting at first without any constitutional authority, became at length an essential member of the legislature, that they have since, by regular gradations, acquired new and important accessions of privileges and that they have, on numerous occasions, impaired the prerogative and limited the monarchy.

An honorable member from Dutchess (Mr. Smith) has observed that the delegates from New York (for example) can have very little information of the local circumstances of Georgia or South Carolina, except from the representatives of those States; and on this ground insists upon the expediency of an enlargement of the representation; since, otherwise, the majority must rely too much on the information of a few. In order to determine whether there is any weight in this reasoning, let us consider the powers of the National Government, and compare them with the objects of State legislation. The powers of the new government are general, and calculated to embrace the aggregate interests of the Union, and the general interest of each State, so far as it stands in relation to the whole. The object of the State governments is to provide for their internal interests, as unconnected with the United States, and as composed of minute parts or

districts. A particular knowledge, therefore, of the local circumstances of any State, as they may vary in different districts, is unnecessary for the federal representative. As he is not to represent the interests or local wants of the county of Dutchess or Montgomery, neither is it necessary that he should be acquainted with their particular resources. But in the State governments, as the laws regard the interest of the people, in all their various minute divisions, it is necessary that the smallest interests should be represented. Taking these distinctions into view, I think it must appear evident that one discerning and intelligent man will be as capable of understanding and representing the general interests of a State as twenty; because one man can be as fully acquainted with the general state of the commerce, manufactures, population, production, and common resources of a State, which are the proper objects of federal legislation. It is presumed that few men originally possess a complete knowledge of the circumstances of other States. They must rely, therefore, on the information to be collected from the representatives of those States. And if the above reasoning be just, it appears evident, I imagine, that this reliance will be as secure as can be desired. Sir, in my experience of public affairs, I have constantly remarked, in the conduct of the members of Congress, a strong and uniform attachment to the interests of their own State.

These interests have on many occasions been adhered to with an undue and illiberal pertinacity, and have too often been preferred to the welfare of the

Union. This attachment has given birth to an unaccommodating spirit of party, which has frequently embarrassed the best measures. It is by no means, however, an object of surprise. The early connections we have formed, the habits and prejudices in which we have been bred, fix our affections so strongly, that no future objects of association can easily eradicate them. This, together with the entire and immediate dependence the representative feels on his constituent, will generally incline him to prefer the particular before the public good. The subject on which this argument of a small representation has been most plausibly used, is taxation. As to internal taxation, in which the difficulty principally rests, it is not probable that any general regulation will originate in the National Legislature. If Congress, in times of great danger and distress, should be driven to this resource, they will undoubtedly adopt such measures as are most conformable to the laws and customs of each State. They will take up your own codes, and consult your own systems. This is a source of information which cannot mislead, and which will be equally accessible to every member. It will teach them the most certain, safe, and expeditious mode of laying and collecting taxes in each State. They will appoint the officers of revenue agreeably to the spirit of your particular establishments, or they will make use of their own. Sir, the most powerful obstacle to the members of Congress betraying the interests of their constituents, is the State Legislatures themselves, who will be standing bodies of observation, possess-

ing the confidence of the people, jealous of federal encroachments, and armed with every power to check the first essays of treachery. They will institute regular modes of inquiry. The complicated domestic attachments which subsist between State legislators and their electors, will ever make them vigilant guardians of the people's rights. Possessed of the means and the disposition of resistance, the spirit of opposition will be easily communicated to the people, and, under the conduct of an authorized body of leaders, will act with weight and system. Thus it appears that the very structure of the Confederacy affords the surest preventives from error, and the most powerful checks to misconduct.

Sir, there is something in an argument that has been urged, which, if it proves any thing, concludes against all union and all governments; it goes to prove that no powers should be entrusted to any body of men, because they may be abused. This is an argument of possibility and chance—one that would render useless all reasonings upon the probable operation of things, and defeat the established principles of natural and moral causes. It is a species of reasoning sometimes used to excite popular jealousies, but is generally discarded by wise and discerning men. I do not suppose that the honorable member who advanced the idea had any such design. He undoubtedly would not wish to extend arguments to the destruction of union or government; but this, sir, is its real tendency. It has been asserted that the interests, habits, and manners of

the thirteen States are different; and hence it is inferred that no general free government can suit them. This diversity of habits, etc., has been a favorite theme with those who are disposed for a division of our empire, and, like many other popular objections, seems to be founded on fallacy. I acknowledge that the local interests of the States are in some degree various, and that there is some difference in the manners and habits. But this I will presume to affirm, that from New Hampshire to Georgia the people of America are as uniform in their interests and manners as those of any established in Europe. This diversity, to the eye of a speculatist, may afford some marks of characteristic discrimination, but cannot form an impediment to the regular operation of those general powers which the Constitution gives to the united government. Were the laws of the Union to new-model the internal police of any State; were they to alter, or abrogate at a blow, the whole of its civil and criminal institutions; were they to penetrate the recesses of domestic life, and control, in all respects, the private conduct of individuals,—there might be more force in the objections; and the same Constitution, which was happily calculated for one State, might sacrifice the welfare of another. Though the difference of interests may create some difficulty, and apparent partiality, in the first operations of government, yet the same spirit of accommodation, which produced the plan under discussion, would be exercised in lessening the weight of unequal burdens. Add to this that, under the regular and gentle influence of gen-

eral laws, these varying interests will be constantly assimilating, till they embrace each other and assume the same complexion.—*Elliot's Debates*, vol. ii.

June 21, 1788.—Mr. Hamilton: I only rise to observe that the gentleman has misunderstood me. What I meant to express was this: that if we argued from possibilities only,—if we reasoned from chances, or an ungovernable propensity to evil, instead of taking into view the control which the nature of things, or the form of the Constitution, provided,—the argument would lead us to withdraw all confidence from our fellow-citizens, and discard the chimerical idea of government. This is a true deduction from such reasoning.—*Elliot's Debates*, vol. ii.

June 21, 1788.—Mr. Hamilton: It is not my design, Mr. Chairman, to extend this debate by any new arguments on the general subject. I have delivered my sentiments so fully on what has been advanced by the gentleman this morning, that any further reasoning from me will be easily dispensed with. I only rise to state a fact with respect to the motives which operated in the General Convention. I had the honor to state to the committee the diversity of interests which prevailed between the navigating and non-navigating, the large and the small, States, and the influence which those States had upon the conduct of each. It is true, a difference did take place between the large and the small States, the latter insisting on equal advantages in the House of Representatives. Some private business calling me to New York, I left the Convention for a few days; on my return, I found a plan reported by the

committee of details; and soon after, a motion was made to increase the number of representatives. On this occasion, the members rose from one side and the other, and declared that the plan reported was entirely a work of accommodation, and that to make any alterations in it would destroy the Constitution. I discovered that several of the States, particularly New Hampshire, Connecticut, and New Jersey, thought it would be difficult to send a great number of delegates from the extremes of the continent to the national government; they apprehended their constituents would be displeased with a very expensive government; and they considered it as a formidable objection. After some debate on this motion, it was withdrawn. Many of the facts stated by the gentleman and myself are not substantially different. The truth is, the plan, in all its parts, was a plan of accommodation.—*Elliot's Debates*, vol. ii.

SPEECH ON THE SENATE OF THE UNITED STATES

June 24, 1788.—I am persuaded that I, in my turn, shall be indulged in addressing the committee. We all, with equal sincerity, profess to be anxious for the establishment of a republican government, on a safe and solid basis. It is the object of the wishes of every honest man in the United States; and I presume I shall not be disbelieved when I declare, that it is an object, of all others, the nearest and most dear to my own heart. The means of accomplishing this great purpose become the most

important study which can interest mankind. It is our duty to examine all those means with peculiar attention, and to choose the best and most effectual. It is our duty to draw from nature, from reason, from examples, the justest principles of policy, and to pursue and apply them in the formation of our government. We should contemplate and compare the systems which, in the examination, come under our view; distinguish with a careful eye the defects and excellencies of each, and discarding the former, incorporate the latter, as far as circumstances will admit, into our Constitution. If we pursue a different course, and neglect this duty, we shall probably disappoint the expectations of our country and of the world.

In the commencement of a revolution, which received its birth from the usurpations of tyranny, nothing was more natural than that the public mind should be influenced by an extreme spirit of jealousy. To resist these encroachments, and to nourish this spirit, was the great object of all our public and private institutions. The zeal for liberty became predominant and excessive. In forming our Confederation, this passion alone seemed to actuate us, and we appear to have had no other view than to secure ourselves from despotism. The object certainly was a valuable one, and deserved our utmost attention. But there is another object, equally important, and which our enthusiasm rendered us little capable of regarding. I mean a principle of strength and stability in the organization of our government, and of vigor in its operations. This

purpose could never be accomplished but by the establishment of some select body, formed peculiarly on this principle. There are few positions more demonstrable than that there should be in every republic some permanent body, to correct the prejudices, check the intemperate passions, and regulate the fluctuations of a popular assembly. It is evident that a body instituted for these purposes must be so formed as to exclude as much as possible from its own character those infirmities and that mutability which it is designed to remedy. It is, therefore, necessary that it should be small, that it should hold its authority during a considerable period, and that it should have such an independence in the exercise of its powers, as will divest it, as much as possible, of local prejudices. It should be so formed as to be the centre of political knowledge; to pursue always a steady line of conduct, and to reduce every irregular propensity to system. Without this establishment we may make experiments without end, but shall never have an efficient government.

It is an unquestionable truth, that the body of the people in every country desire sincerely its prosperity. But it is equally unquestionable that they do not possess the discernment and stability necessary for systematic government. To deny that they are frequently led into the grossest errors, by misinformation and passion, would be a flattery which their own good sense must despise. That branch of administration, especially, which involves our political relation with foreign states, a community will ever be incompetent to. These truths are not often

held up in public assemblies; but they cannot be unknown to any who hear me. From these principles, it follows that there ought to be two distinct bodies in our government: one which shall be immediately constituted by and peculiarly represent the people, and possess all the popular features; another formed upon the principles and for the purposes before explained. Such considerations as these induced the convention who formed your State constitution to institute a Senate upon the present plan. The history of ancient and modern republics had taught them that many of the evils which those republics suffered arose from the want of a certain balance, and that mutual control indispensable to a wise administration. They were convinced that popular assemblies are frequently misguided by ignorance, by sudden impulses, and the intrigues of ambitious men; and that some firm barrier against these operations was necessary. They, therefore, instituted your Senate; and the benefits we have experienced have fully justified their conceptions.

What is the tendency of the proposed amendment? To take away the stability of government, by depriving the Senate of its permanency. To make this body subject to the same weakness and prejudices which are incident to popular assemblies, and which it was instituted to correct; to destroy the balance between them. The amendment will render the Senator a slave to all the capricious humors among the people. It will probably be here suggested that the Legislatures, not the people, are to have the power of recall. Without attempting to

prove that the Legislatures must be, in a great degree, the image of the multitude in respect to federal affairs, and that the same prejudices and factions will prevail, I insist that, in whatever body the power of recall is vested, the senator will perpetually feel himself in such a state of vassalage and dependence that he never can possess that firmness which is necessary to the discharge of his great duty to the Union.

Gentlemen in their reasoning have placed the interests of the several States and those of the United States in contrast. This is not a fair view of the subject. They must necessarily be involved in each other. What we apprehend is, that some sinister prejudice, or some prevailing passion, may assume the form of a genuine interest. The influence of these is as powerful as the most permanent conviction of the public good, and against this influence we ought to provide. The local interest of a State ought in every case to give way to the interests of the Union. For when a sacrifice of one or the other is necessary, the former becomes only an apparent, partial interest, and should yield, on the principle that the smaller good ought never to oppose the greater one. When you assemble from your several counties in the Legislature, were every member to be guided only by the apparent interest of his county, government would be impracticable. There must be a perpetual accommodation and sacrifice of local advantage to general expediency. But the spirit of a more popular assembly would rarely be actuated by this important principle. It is, therefore, abso-

lutely necessary that the Senate should be so formed as to be unbiassed by false conceptions of the real interests, or undue attachment to the apparent good of their several States.

Gentlemen indulge too many unreasonable apprehensions of danger to the State governments. They seem to suppose that the moment you put men into the national council, they become corrupt and tyrannical, and lose all their affection for their fellow-citizens. But can we imagine that the Senators will ever be so insensible of their own advantage as to sacrifice the genuine interest of their constituents? The State governments are essentially necessary to the form and spirit of the general system. As long, therefore, as Congress have a full conviction of this necessity, they must, even upon principles purely national, have as firm an attachment to the one as to the other. This conviction can never leave them unless they become madmen. While the Constitution continues to be read, and its principles known, the States must, by every rational man, be considered as essential component parts of the Union; and therefore the idea of sacrificing the former to the latter is totally inadmissible.

The objectors do not revert to the natural strength and resources of the State governments, which will ever give them an important superiority over the General Government. If we compare the nature of their different powers, or the means of popular influence which each possesses, we shall find the advantage entirely on the side of the States. This consideration, important as it is, seems to have been

little attended to. The aggregate number of representatives throughout the States may be two thousand. Their personal influence will therefore be proportionably more extensive than that of one or two hundred men in Congress. The State establishments of civil and military officers of every description, infinitely surpassing in number any corresponding establishments in the General Government, will create such an extent and complication of attachments as will ever secure the predilection and support of the people. Whenever, therefore, Congress shall meditate any infringement of the State Constitutions, the great body of the people will naturally take part with their domestic representatives. Can the General Government withstand such a united opposition? Will the people suffer themselves to be stripped of their privileges? Will they suffer their Legislatures to be reduced to a shadow and a name? The idea is shocking to common-sense.

From the circumstances already explained, and many others which might be mentioned, results a complicated, irresistible check, which must ever support the existence and importance of the State governments. The danger, if any exists, flows from an opposite source. The probable evil is that the General Government will be too dependent on the State Legislatures, too much governed by their prejudices, and too obsequious to their humors; that the States, with every power in their hands, will make encroachments on the national authority till the Union is weakened and dissolved.

Every member must have been struck with an

observation of a gentleman from Albany. Do what you will, he says, local prejudices and opinions will go into the government. What! shall we then form a Constitution to cherish and strengthen these prejudices? Shall we confirm the distemper instead of remedying it? It is undeniable that there must be a control somewhere. Either the general interest is to control the particular interests, or the contrary. If the former, then certainly the government ought to be so framed as to render the power of control efficient to all intents and purposes; if the latter, a striking absurdity follows. The controlling powers must be as numerous as the varying interests, and the operations of government must therefore cease. For the moment you accommodate these differing interests, which is the only way to set the government in motion, you establish a general controlling power. Thus, whatever constitutional provisions are made to the contrary, every government will be at last driven to the necessity of subjecting the partial to the universal interest. The gentlemen ought always, in their reasoning, to distinguish between the real, genuine good of a State, and the opinions and prejudices which may prevail respecting it. The latter may be opposed to the general good, and consequently ought to be sacrificed; the former is so involved in it that it never can be sacrificed. Sir, the main design of the convention, in forming the Senate, was to prevent fluctuations and cabals. With this view they made that body small, and to exist for a considerable period. Have they carried this design too far? The Senators are to serve six

years. This is only two years longer than the Senators of this State hold their places. One third of the members are to go out every two years; and in six the whole body may be changed. Prior to the Revolution, the representatives in the several colonies were elected for different periods; for three years, for seven years, etc. Were those bodies ever considered as incapable of representing the people, or as too independent of them? There is one circumstance which will have a tendency to increase the dependence of the Senators on the States, in proportion to the duration of their appointments. As the State Legislatures are in continual fluctuation, the Senator will have more attachments to form, and consequently a greater difficulty of maintaining his place, than one of shorter duration. He will therefore be more cautious and industrious to suit his conduct to the wishes of his constituents.

When you take a view of all the circumstances which have been recited, you will certainly see that the Senators will constantly look up to the State governments with an eye of dependence and affection. If they are ambitious to continue in office, they will make every prudent arrangement for this purpose, and whatever may be their private sentiments of politics, they will be convinced that the surest means of obtaining a reëlection will be a uniform attachment to the interests of their several States.

In support of this amendment it has been observed that the power of recall, under the old government, has never been exercised. There is no

reasoning from this. The experience of a few years, under peculiar circumstances, can afford no probable security that it never will be carried into execution with unhappy effects. A seat in Congress has been less an object of ambition; and the arts of intrigue, consequently, have been less practised. Indeed, it has been difficult to find men who were willing to suffer the mortifications to which so feeble a government and so dependent a station exposed them.

Sir, if you consider but a moment the purposes for which the Senate was instituted, and the nature of the business which they are to transact, you will see the necessity of giving them duration. They, together with the President, are to manage all our concerns with foreign nations. They must understand all their interests and their political systems. This knowledge is not soon acquired,—but a very small part is gained in the closet. Is it desirable that new and unqualified members should be continually thrown into that body? When public bodies are engaged in the exercise of general powers, you cannot judge of the propriety of their conduct, but from the result of their systems. They may be forming plans which require time and diligence to bring to maturity. It is necessary, therefore, that they should have a considerable and fixed duration, that they may make their calculations accordingly. If they are to be perpetually fluctuating, they can never have that responsibility which is so important in republican governments. In bodies subject to frequent changes great political plans must be conducted by members in succession; a single Assembly

can have but a partial agency in them, and consequently cannot be answerable for the final event. Considering the Senate, therefore, with a view to responsibility, duration is a very interesting and essential quality. There is another view in which duration in the Senate appears necessary; a government changeable in its policy must soon lose its sense of national character and forfeit the respect of foreigners. Senators will not be solicitous for the reputation of public measures in which they have had but a temporary concern, and will feel lightly the burthen of public disapprobation in proportion to the number of those who partake of the censure. Our political rivals will ever consider our most able counsels as evidence of deficient wisdom, and will be little apprehensive of our arriving at any exalted station in the scale of power. Such are the internal and external disadvantages which would result from the principle contended for. Were it admitted, I am firmly persuaded, sir, that prejudices would govern the public deliberations, and passions rage in the counsels of the Union. If it were necessary, I could illustrate my subject by historical facts. I could travel through an extensive field of detail, and demonstrate that wherever the fatal principle of the head suffering the control of the members has operated, it has proved a fruitful source of commotions and disorder.

This is the first fair opportunity that has been offered of deliberately correcting the errors in government. Instability has been a prominent and very defective feature in most republican systems.

It is the first to be seen and the last to be lamented by a philosophical inquirer. It has operated most banefully in our infant republics. It is necessary that we apply an immediate remedy, and eradicate the poisonous principle from our government. If this be not done, we shall feel, and posterity will be convulsed by, a painful malady.

June 25th.—Mr. Hamilton: Mr. Chairman, in debates of this kind, it is extremely easy, on either side, to say a great number of plausible things. It is to be acknowledged that there is even a certain degree of truth in the reasonings on both sides. In this situation, it is the province of judgment and good sense to determine their force and application, and how far the arguments advanced on one side are balanced by those on the other. The ingenious dress in which both appear renders it a difficult task to make this decision, and the mind is frequently unable to come to a safe and solid conclusion. On the present question, some of the principles on each side are admitted, and the conclusions from them denied, while other principles, with their inferences, are rejected altogether. It is the business of the committee to seek the truth in this labyrinth of argument. There are two objects in forming systems of government—safety for the people, and energy in the administration. When these objects are united, the certain tendency of the system will be to the public welfare. If the latter object be neglected, the people's security will be as certainly sacrificed as by disregarding the former. Good constitutions are formed upon a comparison of the

liberty of the individual with the strength of government. If the tone of either be too high, the other will be weakened too much. It is the happiest possible mode of conciliating these objects, to institute one branch peculiarly endowed with sensibility, another with knowledge and firmness. Through the opposition and mutual control of these bodies, the government will reach, in its operations, the perfect balance between liberty and power. The arguments of the gentlemen chiefly apply to the former branch of the House of Representatives. If they will calmly consider the different nature of the two branches, they will see that the reasoning which justly applies to the representative House will go to destroy the essential qualities of the Senate. If the former is calculated perfectly upon the principles of caution, why should you impose the same principles upon the latter, which is designed for a different operation? Gentlemen, while they discover a laudable anxiety for the safety of the people, do not attend to the important distinction I have drawn. We have it constantly held up to us, that, as it is our chief duty to guard against tyranny, it is our policy to form all branches of government for this purpose.

Sir, it is a truth sufficiently illustrated by experience, that when the people act by their representatives they are commonly irresistible. The gentleman admits the position, that stability is essential to the government, and yet enforces principles which, if true, ought to banish stability from the system. The gentleman observes, that there is a fallacy in my reasoning, and informs us that the Legislatures

of the States, not the people, are to appoint the Senators. Does he reflect that they are the immediate agents of the people, that they are so constituted as to feel all their prejudices and passions, and to be governed, in a great degree, by their misapprehensions? Experience must have taught him the truth of this. Look through their history: what factions have arisen from the most trifling causes! What intrigues have been practised for the most illiberal purposes! Is not the State of Rhode Island, at this moment, struggling under difficulties and distresses, for having been led blindly by the spirit of the multitude? What is her Legislature but the picture of a mob? In this State, we have a Senate, possessed of the proper qualities of a permanent body. Virginia, Maryland, and a few other States are in the same situation. The rest are either governed by a single democratic Assembly, or have a Senate constituted entirely upon democratic principles. These have been more or less embroiled in factions, and have generally been the image and echo of the multitude. It is difficult to reason on this point, without touching on certain delicate chords. I could refer you to periods and conjunctures when the people have been governed by improper passions, and led by factious and designing men. I could show that the same passions have infected their representatives. Let us beware that we do not make the State Legislatures a vehicle in which the evil humors may be conveyed into the national system. To prevent this, it is necessary that the Senate should be so formed, as in some

measure to check the State governments, and preclude the communication of the false impressions which they receive from the people. It has been often repeated, that the Legislatures of the States can have only a partial and confined view of national affairs; that they can form no proper estimate of great objects which are not in the sphere of their interests. The observation of the gentleman, therefore, cannot take off the force of the argument.

Sir, the Senators will constantly be attended with a reflection that their future existence is absolutely in the power of the States. Will not this form a powerful check? It is a reflection which applies closely to their feelings and interests; and no candid man who thinks deliberately will deny that it would be alone a sufficient check. The Legislatures are to provide the mode of electing the President, and must have a great influence over the electors. Indeed, they convey their influence through a thousand channels into the General Government. Gentlemen have endeavored to show that there will be no clashing of local and general interests; they do not seem to have considered the subject. We have, in this State, a duty of sixpence per pound on salt, and it operates lightly and with advantage; but such a duty would be very burdensome to some of the States. If Congress should, at any time, find it convenient to impose a salt tax, would it not be opposed by the Eastern States? Being themselves incapable of feeling the necessity of the measure, they could only feel its apparent injustice. Would it be wise to give the New England States a power

to defeat this measure, by recalling their Senators who may be engaged for it? I beg the gentleman once more to attend to the distinction between the real and apparent interests of the States. I admit that the aggregate of individuals constitute the government; yet every State is not the government. Sir, in our State Legislatures, a compromise is frequently necessary between the interests of counties; the same must happen in the General Government, between States. In this, the few must yield to the many; or in other words, the particular must be sacrificed to the general interest. If the members of Congress are too dependent on the State Legislatures, they will be eternally forming secret combinations from local views. This is reasoning from the plainest principles. Their interest is interwoven with their dependence, and they will necessarily yield to the impression of their situation. Those who have been in Congress have seen these operations. The first question has been, how will such a measure affect my constituents, and, consequently, how will the part I take affect my reëlection? This consideration may in some degree be proper; but to be dependent from day to day, and to have the idea perpetually present, would be the source of numerous evils. Six years, sir, is a period short enough for a proper degree of dependence.

Let us consider the peculiar state of this body, and see under what impressions they will act. One third of them are to go out at the end of two years, two thirds at four years, and the whole at six years. When one year is elapsed, there are a number who

are to hold their places for one year, others for three, and others for five years. Thus there will not only be a constant and frequent change of members, but there will be some whose office is near the point of expiration, and who, from this circumstance, will have a lively sense of their dependence. The biennial change of members is an excellent invention for increasing the difficulty of combination. Any scheme of usurpation will lose, every two years, a number of its oldest advocates, and their places will be supplied by an equal number of new, unaccommodating, and virtuous men. When two principles are equally important, we ought, if possible, to reconcile them, and sacrifice neither. We think that safety and permanency in this government are completely reconcilable. The State governments will have, from the causes I have described, a sufficient influence over the Senate, without the check for which the gentlemen contend. It has been remarked that there is an inconsistency in our admitting that the equal vote in the Senate was given to secure the rights of the States, and at the same time holding up the idea that their interests should be sacrificed to those of the Union. But the committee certainly perceive the distinction between the rights of a State and its interests. The rights of a State are defined by the Constitution, and cannot be invaded without a violation of it; but the interests of a State have no connection with the Constitution, and may be, in a thousand instances, constitutionally sacrificed. A uniform tax is perfectly constitutional; and yet it may operate oppressively upon certain members of the Union.

The gentlemen are afraid that the State governments will be abolished. But, sir, their existence does not depend upon the laws of the United States. Congress can no more abolish the State governments than they can dissolve the Union. The whole Constitution is repugnant to it, and yet the gentlemen would introduce an additional useless provision against it. It is proper that the influence of the States should prevail to a certain extent. But shall the individual States be the judges how far? Shall an unlimited power be left to determine in their favor? The gentlemen go into the extreme; instead of a wise government, they would form a fantastical Utopia. But, sir, while they give it a plausible, popular shape, they would render it impracticable.

Much has been said about factions. As far as my observation has extended, factions in Congress have arisen from attachment to State prejudices. We are attempting by this Constitution to abolish factions and to unite all parties for the general welfare. That a man should have the power, in private life, of recalling his agent, is proper; because, in the business in which he is engaged, he has no other object but to gain the approbation of his principal. Is this the case with the Senator? Is he simply the agent of the State? No. He is an agent for the Union, and he is bound to perform services necessary to the good of the whole, though his State should condemn them. Sir, in contending for a rotation, the gentlemen carry their zeal beyond all reasonable bounds. I am convinced that no government,

founded on this feeble principle, can operate well; I believe, also, that we shall be singular in this proposal. We have not felt the embarrassments resulting from rotation that other States have; and we hardly know the strength of their objection to it. There is no probability that we shall ever persuade a majority of the States to agree to this amendment. The gentlemen deceive themselves; the amendment would defeat their own design. When a man knows he must quit his station, let his merit be what it may, he will turn his attention chiefly to his own emolument; nay, he will feel temptations, which few other situations furnish, to perpetuate his power by unconstitutional usurpations. Men will pursue their interests. It is as easy to change human nature as to oppose the strong current of selfish passions. A wise legislator will gently divert the channel, and direct it, if possible, to the public good. It has been observed, that it is not possible there should be in a State only two men qualified for Senators. But, sir, the question is not, whether there may be no more than two men; but whether, in certain emergencies, you could find two equal to those whom the amendment would discard. Important negotiations, or other business to which they shall be most competent, may employ them at the moment of their removal. These things often happen. The difficulty of obtaining men capable of conducting the affairs of a nation in dangerous times, is much more serious than the gentlemen imagine. As to corruption, sir, admitting, in the President, a disposition to corrupt, what are the instruments of

bribery? It is said he will have in his disposal a great number of offices. But how many offices are there, for which a man would relinquish senatorial dignity? There may be some in the judicial, and some in other principal departments. But there are few whose respectability can, in any measure, balance that of the office of Senator. Men who have been in the Senate once, and who have a reasonable hope of a reëlection, will not be easily bought by offices. This reasoning shows that a rotation would be productive of many disadvantages; under particular circumstances, it might be extremely inconvenient, if not fatal to the prosperity of our country.—*Elliot's Debates*, vol. ii.

June 27, 1788.—Mr. Hamilton: This is one of those subjects on which objections very naturally arise, and assume the most plausible shape. Its address is to the passions, and its first impressions create a prejudice before cool examination has an opportunity for exertion. It is more easy for the human mind to calculate the evils than the advantages of a measure; and vastly more natural to apprehend the danger than to see the necessity of giving powers to our rulers. Hence, I may justly expect that those who hear me will place less confidence in those arguments which oppose, than in those which favor, their prepossessions.

After all our doubts, our suspicions, and speculations on the subject of government, we must return at last to the important truth, that when we have formed a Constitution upon free principles, when we have given a proper balance to the different

branches of administration, and fixed representation upon pure and equal principles, we may with safety furnish it with all the powers necessary to answer in the most ample manner the purposes of government. The great desiderata are a free representation and mutual checks. When these are obtained, all our apprehensions of the extent of powers are unjust and imaginary. What is the structure of this Constitution? One branch of the Legislature is to be elected by the people—by the same people who chose your State representatives. Its members are to hold their office two years, and then return to their constituents. Here the people govern. Here they act by their immediate representatives. You have also a Senate, constituted by your State Legislatures, by men in whom you place the highest confidence, and forming another representative branch. Then, again, you have an Executive Magistrate, created by a form of election which meets universal admiration. In the form of this government, and in the mode of legislation, you find all the checks which the greatest politicians and the best writers have ever conceived. What more can reasonable men desire? Is there any one branch in which the whole legislative and executive powers are lodged? No. The legislative authority is lodged in three distinct branches, properly balanced. The executive authority is divided between two branches, and the judicial is still reserved for an independent body, who hold their office during good behavior. This organization is so complex, so skilfully contrived, that it is next to impossible that an impolitic

or wicked measure should pass the great scrutiny with success. Now, what do gentlemen mean by coming forward and declaiming against this government? Why do they say we ought to limit its powers, to disable it, and to destroy its capacity of blessing the people? Has philosophy suggested—has experience taught—that such a government ought not to be trusted with everything necessary for the good of society? When you have divided and nicely balanced the departments of government, when you have strongly connected the virtue of your rulers with their interest, when, in short, you have rendered your system as perfect as human forms can be, you must place confidence, you must give power.

We have heard a great deal of the sword and the purse. It is said our liberties are in danger if both are possessed by Congress. Let us see what is the true meaning of this maxim, which has been so much used and so little understood. It is, that you shall not place these powers in either the Legislative or Executive, singly; neither one nor the other shall have both; because this would destroy that division of powers on which political liberty is founded, and would furnish one body with all the means of tyranny. But when the purse is lodged in one branch, and the sword in another, there can be no danger. All governments have possessed these powers. They would be monsters without them, and incapable of exertion. What is your State government? Does not your Legislature command what money it pleases? Does not your Executive execute the laws without re-

straint? These distinctions between the purse and the sword have no application to the system, but only to its separate branches. When we reason about the great interests of a great people, it is high time that we dismiss our prejudices and banish declamation.

In order to induce us to consider the powers given by this Constitution as dangerous, in order to render plausible an attempt to take away the life and spirit of the most important power in government, the gentleman complains that we shall not have a true and safe representation. I have asked him what a safe representation is, and he has given no satisfactory answer. The Assembly of New York has been mentioned as a proper standard. But if we apply this standard to the General Government, our Congress will become a mere mob, exposed to every irregular impulse, and subject to every breeze of faction. Can such a system afford security? Can you have confidence in such a body? The idea of taking the ratio of representation in a small society for the ratio of a great one, is a fallacy which ought to be exposed. It is impossible to ascertain to what point our representation will increase. It may vary from one to two, three, or four hundred. It depends upon the progress of population. Suppose it to rest at two hundred; is not this number sufficient to secure it against corruption? Human nature must be a much more weak and despicable thing than I apprehend it to be, if two hundred of our fellow-citizens can be corrupted in two years. But suppose they are corrupted; can they, in two years, accom-

plish their designs? Can they form a combination, and even lay a foundation for a system of tyranny, in so short a period? It is far from my intention to wound the feelings of any gentleman; but I must, in this most interesting discussion, speak of things as they are, and hold up opinions in the light in which they ought to appear; and I maintain that all that has been said of corruption, of the purse and the sword, and of the danger of giving powers, is not supported by principle or fact; that it is mere verbiage and idle declamation. The true principle of government is this—make the system complete in its structure; give a perfect proportion and balance to its parts, and the powers you give it will never affect your security. The question, then, of the division of powers between the General and State governments, is a question of convenience. It becomes a prudential inquiry, what powers are proper to be reserved to the latter, and this immediately involves another inquiry into the proper objects of the two governments. This is the criterion by which we shall determine the just distribution of powers.

The great leading objects of the Federal Government, in which revenue is concerned, are to maintain domestic peace, and provide for the common defence. In these are comprehended the regulation of commerce—that is, the whole system of foreign intercourse, the support of armies and navies, and of the civil administration. It is useless to go into detail. Every one knows that the objects of the General Government are numerous, extensive, and

important. Every one must acknowledge the necessity of giving powers, in all respects, and in every degree, equal to these objects. This principle assented to, let us inquire what are the objects of the State governments. Have they to provide against foreign invasion? Have they to maintain fleets and armies? Have they any concern in the regulation of commerce, the procuring alliances, or forming treaties of peace? No. Their objects are merely civil and domestic, to support the legislative establishment, and to provide for the administration of the laws. Let any one compare the expense of supporting the civil list in a State, with the expense of providing for the defence of the Union. The difference is almost beyond calculation. The experience of Great Britain will throw some light on this subject. In that kingdom, the ordinary expenses of peace to those of war are as one to fourteen. But there they have a monarch, with his splendid court, and an enormous civil establishment, with which we have nothing in this country to compare. If, in Great Britain, the expenses of war and peace are so disproportioned, how wide will be their disparity in the United States! How infinitely wider between the General Government and that of each individual State! Where ought the great resources to be lodged? Every rational man will give an immediate answer. To what extent shall these resources be possessed? Reason says, As far as possible exigencies can require; that is, without limitation. A constitution cannot set bounds to a nation's wants; it ought not therefore to set bounds to its resources.

Unexpected visitations, long and ruinous wars, may demand all the possible abilities of the country. Shall not our government have power to call these abilities into action? The contingencies of society are not reducible to calculations; they cannot be fixed or bounded, even in imagination. Will you limit the means of your defence when you cannot ascertain the force or extent of the invasion? Even in ordinary wars, a government is frequently obliged to call for supplies, to the temporary oppression of the people.

If we adopt the idea of exclusive revenues, we shall be obliged to fix some distinguishing line which neither government shall overpass. The inconveniences of this measure must appear evident on the slightest examination. The resources appropriated to one may diminish or fail, while those of the other may increase beyond the wants of government. One may be destitute of revenues, while the other shall possess an unnecessary abundance; and the Constitution will be an eternal barrier to a mutual intercourse and relief. In this case will the individual States stand on so good a ground as if the objects of taxation were left free and open to the embrace of both the governments? Possibly, in the advancement of commerce, the imposts may increase to such a degree as to render direct taxation unnecessary; these resources, then, as the Constitution stands, may be occasionally relinquished to the States. But on the gentleman's idea of prescribing exclusive limits, and precluding all reciprocal communication, this would be entirely improper. The

laws of the States must not touch the appropriated resources of the United States whatever may be their wants. Would it not be of more advantage to the States to have a concurrent jurisdiction extending to all the sources of revenue, than to be confined to such a small resource as, on calculation of the objects of the two governments, should appear to be their due proportion? Certainly, you cannot hesitate on this question. The gentleman's plan would also have a further ill effect; it would tend to dissolve the connection and correspondence of the two governments, to estrange them from each other, and to destroy that mutual dependence which forms the essence of union.

A number of arguments have been advanced by an honorable member from New York, which, to every unclouded mind, must carry conviction. He has stated that in sudden emergencies it may be necessary to borrow; and that it is impossible to borrow unless you have funds to pledge for the payment of your debts. Limiting the powers of government to certain resources, is rendering the funds precarious; and obliging the government to ask, instead of empowering it to command, is to destroy all confidence and credit. If the power of taxing is restricted, the consequence is, that on the breaking out of a war you must divert the funds appropriated to the payment of debts, to answer immediate exigencies. Thus, you violate your engagements at the very time you increase the burthen of them. Besides, sound policy condemns the practice of accumulating debts. A government, to act with energy,

should have the possession of all its revenues to answer present purposes. The principle for which I contend is recognized in all its extent by our old Constitution. Congress is authorized to raise troops, to call for supplies without limitation, and to borrow money to any amount. It is true, they must use the form of recommendations and requisitions; but the States are bound, by the solemn ties of honor, of justice, of religion, to comply without reserve.

Mr. Chairman: It has been advanced as a principle, that no government but a despotism can exist in a very extensive country. This is a melancholy consideration indeed. If it were founded on truth, we ought to dismiss the idea of a republican government, even for the State of New York. This idea has been taken from a celebrated writer, who, by being misunderstood, has been the occasion of frequent fallacies in our reasoning on political subjects. But the position has been misapprehended; and its application is entirely false and unwarrantable. It relates only to democracies, where the whole body of the people meet to transact business, and where representation is unknown. Such were a number of ancient and some modern independent cities. Men who read without attention have taken these maxims respecting the extent of country, and, contrary to their proper meaning, have applied them to republics in general. This application is wrong in respect to all representative governments, but especially in relation to a Confederacy of States, in which the supreme Legislature has only general powers and the civil and domestic concerns of the people are

regulated by the laws of the several States. This distinction being kept in view, all the difficulty will vanish, and we may easily conceive that the people of a large country may be represented as truly as those of a small one. An assembly constituted for general purposes may be fully competent to every federal regulation, without being too numerous for deliberate conduct. If the State governments were to be abolished, the question would wear a different face; but this idea is inadmissible. They are absolutely necessary to the system. Their existence must form a leading principle in the most perfect Constitution we could form. I insist that it never can be the interest or desire of the National Legislature to destroy the State governments. It can derive no advantage from such an event; but, on the contrary, would lose an indispensable support, a necessary aid in executing the laws and conveying the influence of government to the doors of the people. The Union is dependent on the will of the State governments for its Chief Magistrate, and for its Senate. The blow aimed at the members must give a fatal wound to the head, and the destruction of the States must be at once a political suicide. Can the National Government be guilty of this madness? What inducements, what temptations, can they have? Will they attach new honors to their station; will they increase the national strength; will they multiply the national resources; will they make themselves more respectable, in the view of foreign nations, or of their fellow-citizens, by robbing the States of their constitutional privileges? But im-

agine for a moment, that a political frenzy should seize the government. Suppose they should make the attempt. Certainly it would be for ever impracticable. This has been sufficiently demonstrated by reason and experience. It has been proved, that the members of republics have been, and ever will be, stronger than the head. Let us attend to one general historical example. In the ancient feudal governments of Europe there was in the first place a monarch; subordinate to him a body of nobles; and subject to these, the vassals or the whole body of the people. The authority of the kings was limited, and that of the barons considerably independent. A great part of the early wars in Europe were contests between the king and his nobility. In these contests, the latter possessed many advantages, derived from their influence, and the immediate command they had over the people, and they generally prevailed. The history of the feudal wars exhibits little more than a series of successful encroachments on the prerogatives of monarchy. Here is one great proof of the superiority which the members in limited governments possess over their head. As long as the barons enjoyed the confidence and attachment of the people, they had the strength of the country on their side, and were irresistible. I may be told that in some instances the barons were overcome. But how did this happen? They took advantage of the depression of the royal authority and the establishment of their own power, to oppress and tyrannize over their vassals. As commerce enlarged, and as wealth and civilization increased, the people began to feel

their own weight and consequence; they grew tired of their oppressions; united their strength with that of the prince; and threw off the yoke of aristocracy. These very instances prove what I contend for. They prove that in whatever direction the popular weight leans, the current of power will flow. Wherever the popular attachments be, there will rest the political superiority. Sir, can it be supposed that the State governments will become the oppressors of the people? Will they forget their affections? Will they combine to destroy the liberties and happiness of their fellow-citizens, for the sole purpose of involving themselves in ruin? God forbid! The idea is shocking! It outrages every feeling of humanity, and every dictate of common-sense!

There are certain social principles in human nature, from which we may draw the most solid conclusions with respect to the conduct of individuals and of communities. We love our families more than our neighbors; we love our neighbors more than our countrymen in general. The human affections, like the solar heat, lose their intensity as they depart from the centre; and become languid in proportion to the expansion of the circle on which they act. On these principles, the attachment of the individual will be first and for ever secured by the State governments. They will be a mutual protection and support. Another source of influence which has already been pointed out, is the various official connections in the States. Gentlemen endeavor to evade the force of this, by saying that these offices will be insignificant. This is by no

means true. The State officers will ever be important, because they are necessary and useful. Their powers are such as are extremely interesting to the people, such as affect their property, their liberty, and life. What is more important than the administration of justice, and the execution of the civil and criminal laws? Can the State governments become insignificant, while they have the power of raising money independently and without control? If they are really useful,—if they are calculated to promote the essential interests of the people, they must have their confidence and support. The States can never lose their powers till the whole people of America are robbed of their liberties. These must go together; they must support each other, or meet one common fate. On the gentleman's principles we may safely trust the State governments, though we have no means of resisting them, but we cannot confide in the National Government, though we have an effectual constitutional guard against every encroachment. This is the essence of their argument, and it is false and fallacious beyond conception.

With regard to the jurisdiction of the two governments, I shall certainly admit that the Constitution ought not to be so formed as to prevent the States providing for their own existence; and I maintain that it is so formed that their power of providing for themselves is sufficiently established. This is conceded by one gentleman, and in the next breath the concession is retracted. He says Congress have but one exclusive right in taxation, that of duties on imports. Certainly, then, their other powers are only

concurrent. But, to take off the force of this obvious conclusion, he immediately says that if the laws of the United States are supreme, those of the States must be subordinate, because there cannot be two supremes. This is curious sophistry. That two supreme powers cannot act together is false. They are inconsistent only when they are aimed at each other, or at one indivisible object. The laws of the United States are supreme as to all their proper constitutional objects. The laws of the States are supreme in the same way. These supreme laws may act on different objects without clashing, or they may operate on different parts of the same common object with perfect harmony. Suppose both governments should lay a tax of a penny on a certain article. Has not each an independent and uncontrollable power to collect its own tax? The meaning of the axiom, that there cannot be two supremes, is simply this: two powers cannot be supreme over each other. This meaning is entirely perverted by the gentlemen. But, it is said, disputes between collectors are to be referred to the federal courts. This is again wandering in the field of conjecture. But suppose the fact certain. Is it not to be presumed that they will express the true meaning of the Constitution and the laws? Will they not be bound to consider the concurrent jurisdiction; to declare that both the taxes shall have equal operation; that both the powers, in that respect, are sovereign and coextensive? If they transgress their duty we are to hope that they will be punished. Sir, we cannot reason from probabilities alone. When we leave common-sense,

and give ourselves up to conjecture, there can be no certainty, no security in our reasonings.

I imagine I have stated to the committee abundant reasons to prove the entire safety of the State governments and of the people. I would go into a more minute consideration of the nature of the concurrent jurisdiction, and of the operation of the laws in relation to revenue; but at present I feel too much indisposed to proceed. I shall, with the leave of the committee, improve another opportunity of expressing to them more fully my ideas on this point. I wish the committee to remember, that the Constitution under examination is framed upon truly republican principles, and that, as it is expressly designed to provide for the common protection and the general welfare of the United States, it must be utterly repugnant to this Constitution to subvert the State governments or oppress the people.

June 28, 1788.—Mr. Hamilton: Mr. Chairman, in the course of these debates it has been suggested that the State of New York has sustained peculiar misfortune from the mode of raising revenue by requisitions. I believe we shall now be able to prove that this State, in the course of the late Revolution, suffered the extremes of distress on account of this delusive system. To establish these facts, I shall beg leave to introduce a series of official papers and resolutions of this State as evidence of the sentiments of the people during the most melancholy periods of war. I shall request the secretary to read these papers, in the order in which I point them out.—*Elliot's Debates*, ii.

June 28, 1788.—Mr. Hamilton [In reply to Mr. Smith, who had claimed the right to explain the papers produced, which involved Clinton in certain inconsistencies]: We shall make the same reservation. By the indisputable construction of these resolutions, we shall prove that this State was once on the verge of destruction, for want of an energetic government. To this point we shall confine ourselves.—*Elliot's Debates*, ii.

June 28, 1788.—Mr. Hamilton: The honorable gentleman from Ulster [1] has given a turn to the introduction of those papers which was never in our contemplation. He seems to insinuate that they were brought forward with a view of showing an inconsistency in the conduct of some gentlemen; perhaps of himself. Sir, the exhibition of them had a very different object. It was to prove that this State once experienced hardships and distresses to an astonishing degree for want of the assistance of the other States. It was to show the evils we suffered since, as well as before, the establishment of the Confederation, from being compelled to support the burthen of the war; that requisitions have been unable to call forth the resources of the country; that requisitions have been the cause of a principal part of our calamities; that the system is defective and rotten, and ought for ever to be banished from our government. It was necessary—with deference to the honorable gentleman—to bring forward these important proofs of our argument without consulting the feelings of any man. That the human pas-

[1] Gov. Clinton.

sions should flow from one extreme to another, I allow, is natural. Hence the mad project of creating a dictator. But it is equally true that this project was never ripened into a deliberate and extensive design. When I heard of it, it met my instant disapprobation. The honorable gentleman's opposition, too, is known and applauded. But why bring these things into remembrance? Why affect to compare this temporary effusion with the serious sentiments our fellow-citizens entertained of the national weakness? The gentleman has made a declaration of his wishes for a strong Federal Government. I hope this is the wish of all. But why has he not given us his ideas of the nature of this government, which is the object of his wishes? Why does he not describe it? We have proposed a system which we supposed would answer the purposes of strength and safety. The gentleman objects to it without pointing out the grounds on which his objections are founded, or showing us a better form. These general surmises never lead to the discovery of the truth. It is to be desired that the gentleman would explain particularly the errors in this system, and furnish us with their proper remedies. The committee remember that a grant of an impost to the United States for twenty-five years was requested by Congress. Though it was a very small addition of power to the Federal Government, it was opposed in this State without any reasons being offered. The dissent of New York and Rhode Island frustrated a most important measure. The gentleman says he was for granting the impost; yet he acknowledges he

could not agree to the mode recommended. But it is well known that Congress had declared that they could not receive the accession of the States upon any other plan than that proposed. In such cases, propositions for altering the plan amounted to a positive rejection. At this time, sir, we were told it was dangerous to grant powers to Congress; did this general argument indicate a disposition to grant the impost in any shape? I should myself have been averse to the granting of very extensive powers; but the impost was justly considered as the only means of supporting the Union. We did not then contemplate a fundamental change in government. From my sense of the gentlemen's integrity, I am bound to believe they are attached to a strong, united government; and yet I find it difficult to draw this conclusion from their conduct or their reasonings.

Sir, with respect to the subject of revenue, which was debated yesterday, it was asserted that, in all matters of taxation, except in the article of imposts, the united and individual States had a concurrent jurisdiction; that the State governments had an independent authority to draw revenues from every source but one. The truth of these positions will appear on a slight investigation. I maintain that the word *supreme* imports no more than this—that the Constitution and laws made in pursuance thereof cannot be controlled or defeated by any other law. The acts of the United States, therefore, will be absolutely obligatory as to all the proper objects and powers of the General Government. The States, as well as individuals, are bound by these

laws; but the laws of Congress are restricted to a certain sphere, and when they depart from this sphere, they are no longer supreme or binding. In the same manner the States have certain independent powers, in which their laws are supreme; for example, in making and executing laws concerning the punishment of certain crimes, such as murder, theft, etc., the States cannot be controlled. With respect to certain other objects, the powers of the two governments are concurrent yet supreme. I instanced yesterday a tax on a specific article. Both might lay the tax; both might collect it without clashing or interference. If the individual should be unable to pay both, the first seizer would hold the property. Here the laws are not in the way of each other; they are independent and supreme. The case is like that of two creditors: each has a distinct demand; the debtor is held equally for the payment of both. Their suits are independent; and if the debtor cannot pay both, he who takes the first step secures the debt. The individual is precisely in the same situation, whether he pays such a sum to one, or to two. No more will be required of him to supply the public wants than he has ability to afford. That the States have an undoubted right to lay taxes in all cases in which they are not prohibited, is a position founded on the obvious and important principle in confederated governments, that whatever is not expressly given to the federal head is reserved to the members. The truth of this principle must strike every intelligent mind. In the first formation of government, by the association of individuals, every

power of the community is delegated, because the government is to extend to every possible object; nothing is reserved but the inalienable rights of mankind: but when a number of these societies unite for certain purposes, the rule is different, and from the plainest reason they have already delegated their sovereignty and their powers to their several governments; and these cannot be recalled and given to another without an express act. I submit to the committee whether this reasoning is not conclusive. Unless, therefore, we find that the powers of taxation are exclusively granted, we must conclude that there remains a concurrent authority. Let us, then, inquire if the Constitution gives such exclusive powers to the General Government. Sir, there is not a syllable in it that favors this idea; not a word importing an exclusive grant, except in the article of imposts. I am supported in my general position by this very exception. If the States are prohibited from laying duties on imports, the implication is clear. Now, what proportion will the duties on imports bear to the other ordinary resources of the country? We may now say one third; but this will not be the case long. As our manufactures increase, foreign importations must lessen. Here are two thirds, at least, of the resources of our country open to the State governments. Can it be imagined, then, that the States will lose their existence or importance for want of revenues? The propriety of Congress possessing an exclusive power over the impost appears from the necessity of their having a considerable portion of our resources to

pledge as a fund for the reduction of the debts of the United States. When you have given a power of taxation to the General Government, none of the States individually will be holden for the discharge of the Federal obligations; the burden will be on the Union.

The gentleman says that the operation of the taxes will exclude the States on this ground—that the demands of the community are always equal to its resources; that Congress will find a use for all the money the people can pay. This observation, if designed as a general rule, is in every view unjust. Does he suppose the General Government will want all the money the people can furnish, and also that the State governments will want all the money the people can furnish? What contradiction is this! But if the maxim be true, how does the wealth of the country ever increase? How are the people enabled to accumulate fortunes? Do the burdens regularly augment as its inhabitants grow prosperous and happy? But if, indeed, all the resources are required for the protection of the people, it follows that the protecting power should have access to them. The only difficulty lies in the want of resources. If they are adequate, the operation will be easy; if they are not, taxation must be restrained. Will this be the fate of the State taxes alone? Certainly not. The people will say, No. What will be the conduct of the national rulers? The consideration will not be, that our imposing the tax will destroy the States, for this cannot be effected; but that it will distress the people whom we represent,

and whose protectors we are. It is unjust to suppose they will be altogether destitute of virtue and prudence; it is unfair to presume that the representatives of the people will be disposed to tyrannize in one government more than in another. If we are convinced that the National Legislature will pursue a system of measures unfavorable to the interests of the people, we ought to have no general government at all. But if we unite, it will be for the accomplishment of great purposes; these demand great resources and great powers. There are certain extensive and uniform objects of revenue which the United States will improve, and to which if possible they will confine themselves. Those objects which are more limited, and in respect to which the circumstances of the State differ, will be reserved for their use; a great variety of articles will be in this last class of objects, to which only the State laws will properly apply. To ascertain this division of objects is the proper business of legislation; it would be absurd to fix it in the Constitution, both because it would be too extensive and intricate, and because alteration of circumstances must render a change of the division indispensable.

Constitutions should consist only of general provisions; the reason is that they must necessarily be permanent, and that they cannot calculate for the possible change of things. I know that the States must have their resources; but I contend that it would be improper to point them out, particularly in the Constitution. Sir, it has been said that a poll tax is a tyrannical tax; but the Legislature of this

State can lay it whenever they please. Does, then, our Constitution authorize tyranny? I am as much opposed to capitation as any man. Yet who can deny that there may exist certain circumstances which will render this tax necessary? In the course of a war it may be necessary to lay hold of every resource; and for a certain period the people may submit to it. But on removal of the danger, or return of peace, the general sense of the community would abolish it. The United Netherlands were obliged, on an emergency, to give up one twentieth of their property to the government. It has been said that it will be impossible to exercise this power of taxation. If it cannot be exercised why be alarmed? But the gentlemen say that the difficulty of executing it with moderation will necessarily drive the government into despotic measures. Here, again, they are in the old track of jealousy and conjecture. Whenever the people feel the hand of despotism, they will not regard forms and parchments. But the gentlemen's premises are as false as their conclusion. No one reason can be offered why the exercise of the power should be impracticable. No one difficulty can be pointed out which will not apply to our State governments. Congress will have every means of knowledge that any Legislature can have. From general observations, and from the revenue systems of the several States, they will derive information as to the most eligible modes of taxation. If a land tax is the object, cannot Congress procure as perfect a valuation as any other assembly? Can they not have all the necessary

officers for assessment and collections? Where is the difficulty? Where is the evil? They never can oppress a particular State by an unequal imposition, because the Constitution has provided a fixed ratio, a uniform rule, by which this must be regulated. The system will be founded upon the most easy and equal principles—to draw as much as possible from direct taxation, to lay the principal burdens on the wealthy, etc. Even ambitious and unscrupulous men will form their system so as to draw forth the resources of the country in the most favorable and gentle methods, because such will ever be the most productive. They never can hope for success by adopting those arbitrary modes which have been used in some of the States. A gentleman yesterday passed many encomiums on the character and operations of the State governments. The question has not been, whether their laws have produced happy or unhappy effects. The character of our Confederation is the subject of our controversy. But the gentleman concludes too hastily. In many of the States, government has not had a salutary operation. Not only Rhode Island, but several others, have been guilty of indiscretions and misconduct—of acts which have produced misfortunes and dishonor. I grant that the government of New York has operated well, and I ascribe it to the influence of those excellent principles in which the proposed Constitution and our own are so congenial.

We are sensible that private credit is much lower in some States than it is in ours. What is the cause of this? Why is it, at the present period, so low,

even in this State? Why is the value of our land depreciated? It is said that there is a scarcity of money in the community. I do not believe this scarcity to be so great as represented. It may not appear; it may be retained by its holders; but nothing more than stability and confidence in the government is requisite to draw it into circulation. It is acknowledged that the General Government has not answered its purposes. Why? We attribute it to the defects of the revenue system. But the gentlemen say, the requisitions have not been obeyed, because the States were impoverished. This is a kind of reasoning that astonishes me. The records of this State—the records of Congress—prove that, during the war, New York had the best reason to complain of non-compliance of the other States. I appeal to the gentleman. Have the States who have suffered least contributed most? No, sir; the fact is directly the reverse. This consideration is sufficient entirely to refute the gentleman's reasoning. Requisitions will ever be attended with the same effects. This depends on principles of human nature that are as infallible as any mathematical calculations. States will contribute, or not, according to their circumstances or interests. They will all be inclined to throw off their burdens of government upon their neighbors. These positions have been so fully illustrated and proved in former stages of this debate, that nothing need be added. Unanswerable experience—stubborn facts—have supported and fixed them. Sir, to what situation is our Congress now reduced? It is notorious that

with the most difficulty they maintain their ordinary officers, and support the mere form of a Federal government. How do we stand with respect to foreign nations? It is a fact that should strike us with shame, that we are obliged to borrow money in order to pay the interest of our debts. It is a fact that these debts are every day accumulating by compound interest. This, sir, will one day endanger the peace of our country, and expose us to vicissitudes the most alarming. Such is the character of requisitions—such the melancholy, dangerous, condition to which they have reduced us. Now, sir, after this full and fair experiment, with what countenance do gentlemen come forward to recommend the ruinous principle, and make it the basis of a new government? Why do they affect to cherish this political demon, and present it once more to our embraces? The gentleman observed, that we cannot, even in a single State, collect the whole of a tax; some counties will necessarily be deficient. In the same manner, says he, some States will be delinquent. If this reasoning were just, I should expect to see the States pay, like the counties, in proportion to their ability, which is not the fact. I shall proceed now more particularly to the proposition before the committee. This clearly admits that the unlimited power of taxation, which I have been contending for, is proper. It declares that, after the States have refused to comply with the requisitions, the General Government may enforce its demands. While the gentleman's proposition and principle admit this in its fullest latitude, the whole course of the States is

against it. The mode they point out would involve many inconveniences against which they would wish to guard. Suppose the gentleman's scheme should be adopted; would not all the resources of the country be equally in the power of Congress? The States can have but one opportunity of refusal. After having passed through the empty ceremony of a requisition, the General Government can enforce all its demands without limitation or resistance. The States will either comply or they will not. If they comply, they are bound to collect the whole of the tax from the citizens. The people must pay it. What, then, will be the disadvantage of its being levied and collected by Congress, in the first instance? It has been proved, as far as probabilities can go, that the Federal Government will, in general, take the laws of the several States as its rule, and pursue those measures to which the people are most accustomed. But if the States do not comply, what is the consequence? If the power of a compulsion be a misfortune to the State, they must now suffer it without opposition or complaint. I shall show, too, that they must feel it in an aggravated degree. It may frequently happen that, though the States formally comply with the requisitions, the avails will not be fully realized by Congress; the States may be dilatory in the collection and payment, and may form excuses for not paying the whole. There may also be partial compliances, which will subject the Union to inconveniences. Congress, therefore, in laying the tax, will calculate for these losses and inconveniences. They will

make allowances for the delays and delinquencies of the States, and apportion their burdens accordingly. They will be induced to demand more than their actual wants. In these circumstances the requisitions will be made upon calculations in some measure arbitrary. Upon the constitutional plan the only inquiry will be: How much is actually wanted? and how much can the object bear, or the people pay? On the gentleman's scheme it will be: What will be the probable deficiencies of the States? for we must increase our demands in proportion, whatever the public wants may be, or whatever may be the abilities of the people. Now, suppose the requisition is totally rejected; it must be levied upon the citizens without reserve. This will be like inflicting a penalty upon the States. It will place them in the light of criminals. Will they suffer this? Will Congress presume so far? If the States solemnly declare they will not comply, does not this imply a determination not to permit the exercise of the coercive power? The gentlemen cannot escape the dilemma into which their own reasoning leads them. If the States comply, the people must be taxed; if they do not comply, the people must equally be taxed. The burden in either case will be the same—the difficulty of collecting the same. Sir, if these operations are merely harmless and indifferent, why play the ridiculous farce? If they are inconvenient, why subject us to their evils? It is infinitely more eligible to lay a tax originally, which will have uniform effects throughout the Union, which will operate equally and silently. The United States will

then be able to ascertain their resources, and to act with vigor and decision. All hostility between the governments will be prevented. The people will contribute regularly and gradually for the support of the government, and all odious, retrospective inquiries will be precluded. But the ill effects of the gentleman's plan do not terminate here. Our own State will suffer peculiar disadvantages from the measure. One provision in the amendment is, that no direct taxes shall be laid till after the impost and excise shall be found insufficient for public exigencies; and that no excise shall be laid on articles of the growth or manufacture of the United States. Sir, the favorable maritime situation of this State, and our large and valuable tracts of unsettled land, will ever lead us to commerce and agriculture as our proper objects. Unconfined, and tempted by the prospect of easy subsistence and independence, our citizens, as the country populates, will retreat back, and cultivate the western parts of our State. Our population, though extensive, will never be crowded; and consequently we shall remain an importing and agricultural State. Now, what will be the operation of the proposed plan? The General Government, restrained by the Constitution from a free application to other resources, will push imposts to an extreme. Will excessive impositions on our commerce be favorable to the policy of this State? Will they not directly oppose our interests? Similar will be the operation of the other clause of the amendment, relative to excise. Our neighbors, not possessed of our advantages for commerce and agriculture, will

become manufacturers; their property will, in a great measure, be vested in the commodities of their own productions, but a small proportion will be in trade or in lands. Thus, on the gentleman's scheme, they will be almost free from burthens, while we shall be loaded with them. Does not the partiality of this strike every one? Can gentlemen who are laboring for the interest of their State, seriously bring forward such propositions? It is the interest of New York that those articles should be taxed, in the production of which the other States exceed us. If we are not a manufacturing people, excises on manufactures will ever be for our advantage. This position is indisputable. Sir, I agree that it is not good policy to lay excises to any considerable amount, while our manufactures are in their infancy; but are they always to be so? In some of the States they already begin to make considerable progress. In Connecticut, such encouragement is given as will soon distinguish that State. Even at the present period, there is one article from which a revenue may very properly be drawn: I speak of ardent spirits. New England manufactures more than a hundred gallons to our one; consequently, an excise on spirits at the still-head would make those States contribute in a vastly greater proportion than ourselves. In every view, excises on domestic manufacture would benefit New York. But the gentleman would defeat the advantages of our situation, by drawing upon us all the burdens of government. The nature of our Union requires that we should give up our State impost. The amend-

ment would forfeit every other advantage. This part of the Constitution should not be touched. The excises were designed as a recompense to the importing States for relinquishing their imposts. Why, then, should we reject the benefits conferred upon us? Why should we run blindly against our own interest?

Sir, I shall no further enlarge on this argument; my exertions have already exhausted me. I have persevered from an anxious desire to give the committee the most complete conception of this subject. I fear, however, that I have not been so successful as to bestow upon it that full and clear light of which it is susceptible. I shall conclude with a few remarks by way of an apology. I am apprehensive, sir, that, in the warmth of my feelings, I may have uttered expressions which were too vehement. If such has been my language it was from the habit of using strong phrases to express my ideas; and, above all, from the interesting nature of the subject. I have ever condemned those cold, unfeeling hearts, which no object can animate. I condemn those indifferent mortals, who either never form opinions, or never make them known. I confess, sir, that on no subject has my breast been filled with stronger emotions or more anxious concern. If any thing has escaped me, which may be construed into a personal reflection, I beg the gentlemen, once for all, to be assured that I have no design to wound the feelings of any one who is opposed to me. While I am making these observations, I cannot but take notice of some expressions which have fallen in the course

of the debate. It has been said that ingenious men may say ingenious things, and that those who are interested in raising the few upon the ruins of the many, may give to every cause an appearance of justice. I know not whether these insinuations allude to the characters of any who are present, or to any of the reasonings of the House. I presume that the gentlemen would not ungenerously impute such motives to those who differ from themselves. I declare I know not any set of men who are to derive peculiar advantages from this Constitution. Were any permanent honors or emoluments to be secured to the families of those who have been active in this cause, there might be some grounds for suspicion. But what reasonable man, for the precarious enjoyment of rank and power, would establish a system which would reduce his nearest friends and his posterity to slavery and ruin? If the gentlemen reckon me amongst the obnoxious few, if they imagine that I contemplate with ambitious eye the immediate honors of the government, yet let them consider that I have my friends, my family, my children, to whom ties of nature and of habit have attached me. If, to-day, I am among the favored few, my children, to-morrow, may be among the oppressed; these dear pledges of my patriotism may, at a future day, be suffering the severe distresses to which my ambition has reduced them. The changes in the human condition are uncertain and frequent; many, on whom fortune has bestowed her favors, may trace their family to a more unprosperous station; and many, who are now in obscurity, may look back

upon the affluence and exalted rank of their ancestors. But I will no longer trespass on your indulgence. I have troubled the committee with these observations, to show that it cannot be the wish of any reasonable man to establish a government unfriendly to the liberties of the people. Gentlemen ought not, then, to presume that the advocates of this Constitution are influenced by ambitious views. The suspicion, sir, is unjust; the charge is uncharitable.[1]—*Elliot's Debates*, ii.

BRIEF OF ARGUMENT ON THE CONSTITUTION OF THE UNITED STATES

1788

A I. A republic, a word used in various senses.
Has been applied to aristocracies and monarchies.
1. To Rome, under the kings.
2. To Sparta, though a Senate for life.
3. To Carthage, though the same.
4. To United Netherlands, though Stadtholder, hereditary nobles.
5. To Poland, though aristocracy and monarchy.
6. To Great Britain, though monarchy, etc. —

[1] In the edition of 1851, portions only are given of Hamilton's speeches in the New York Convention. The gaps have been filled here from *Elliot's Debates*, and the complete series is given in exact accordance with the official report.

II. Again, great confusion about the words democracy, aristocracy, monarchy.
  1. *a.* Democracy defined by some, Rousseau, etc., a government exercised by the collective body of the people.
    b. Delegation of their power has been made the criterion of aristocracy.
  2. Aristocracy has been used to designate governments.
    a. Where an independent few possessed sovereignty.
    b. Where the representatives of the people possessed it.
  3. Monarchy, where sovereignty in the hands of a single man.

☞ General idea—Independent in his situation; in any other sense would apply to State of New York.

III. Democracy in my sense, where the whole power of the government in the people.
  1. Whether exercised by themselves, or
  2. By their representatives, chosen by them either mediately or immediately and legally accountable to them.

IV. Aristocracy, where whole sovereignty is permanently in the hands of a few for life or hereditary.

V. Monarchy, where the whole sovereignty is in the hands of one man for life or hereditary.

VI. Mixed government, where these three principles unite.

B I. *Consequence*, the proposed government a *representative democracy*.
  1. House of Representatives directly chosen by the people for two years.
  2. Senate indirectly chosen by them for six years.

3. President indirectly chosen by them for four years.

☞ Thus legislative and executive representatives of the people.

4. Judicial power, representatives of the people indirectly chosen during good behavior.

5. All officers indirect choice of the people.

☞ Constitution revocable and alterable by the people.

C I. This representative democracy as far as is consistent with its genius has all the features of good government. These features are:

1. An immediate and operative representation of the people, which is found in the House of Representatives.

2. Stability and wisdom, which is found in the Senate.

3. A vigorous executive, which is found in the President.

4. An independent judicial, which is found in the Supreme Court, etc.

☞ A separation of the essential powers of government. Ascertain the sense of the maxim:

One department must not wholly possess the powers of another.

= Montesquieu.

= British Government.

II. Departments of power must be separated, yet so as to check each other.

1. Legislative.

2. Legislative executive.

3. Judicial legislative.

4. Legislative judicial.

☞ All this done in the proposed Constitution.

1. Legislative in the Congress, yet checked by negative of the executive.

2. Executive in the President, yet checked by impeachment of Congress.
3. Judicial check upon legislative, or interpretation of laws.
4. And checked by legislative through impeachment.

D I. Can such a government apply to so extensive a territory?

II. Despotic government for a large country to be examined.

Review

I. Full House of Representatives chosen every second year, etc.

II. Senate for six years by Legislatures.
Rotation every two years.
Probable increase.

III. Executive manner of appointment.
Compensation.
Negotiation of treaties.
Nomination of officers.

IV. Judicial power. Constitution of judges.
Extent of powers.
Inferior courts.
Trial by jury.
Criminal cases.

Powers

I. To provide revenue for the common defence.
II. To regulate commerce.
III. To declare war.
IV. To raise and support armies.
V. Admission of new States.
VI. Disposal of property.

Miscellaneous Advantages

I. To prohibit importation of slaves prior to 1808.
II. Account to be rendered of expenditure of moneys.
III. No State shall emit bills of credit under ex-post-facto law, or law impairing the obligation of contracts, or grant title of nobility.
IV. Definition of treason.
V. Guaranty of republican governments.

DRAFT OF PROPOSED RATIFICATION OF THE CONSTITUTION OF THE UNITED STATES, WITH SPECIFIED AMENDMENTS.[1]

We, the delegates of the people of the State of New York in Convention assembled, having maturely considered the Constitution for the United States, agreed to on the 17th day of September, in the year 1787, at Philadelphia, in the commonwealth of Pennsylvania, by the Convention then and there convened, and having also seriously and deliberately considered the present situation of the United States, and being convinced that it is advisable to adopt the said Constitution, do declare and make known, in the name and behalf of the people aforesaid, that the powers granted in and by the said Constitution, being derived from the people of the United States, may be resumed by them whenever they shall judge it necessary to their happiness; that

[1] This draft by Hamilton was not accepted, but a brief circular-letter, which was much more unfavorable to the new scheme, was adopted and published.

every power not granted thereby remains either to them or their respective State governments, to whom they may have delegated the same; that therefore no right of any kind, either of the people of the respective States or of the said governments, can be cancelled, abridged, restrained, or modified by Congress, or by any officer or department of the United States, except in conformity to the powers given by the said Constitution, that among other essential rights, the liberty of conscience and of the press cannot be cancelled or abridged by any authority of the United States.

With these impressions, with a firm reliance on the blessing of Providence upon a government framed under circumstances which afford a new and instructive example of wisdom and moderation to mankind; with an entire conviction that it will be more prudent to rely, for whatever amendments may be desirable in the said Constitution, on the mode therein prescribed, than either to embarrass the Union or hazard dissensions in any part of the community by pursuing a different course, and with a full confidence that the amendments which shall have been proposed will receive an early and mature consideration, and that such of them as may in any degree tend to the real security and permanent advantage of the people, will be adopted: We, the said delegates, in the name and behalf of the PEOPLE of this State, Do, by these presents, assent to and RATIFY the Constitution aforesaid, hereby announcing to all those whom it may concern, that the said Constitution is binding upon the said

ɔple according to an authentic copy hereunto nexed.

And to the end that the sense of the people of s State may be manifested touching certain parts the said Constitution, concerning which doubts ve been raised, we, the delegates aforesaid, in the me and behalf of the people aforesaid, do, by these sents, further declare and make known that, ɔording to the true intent and meaning of the d Constitution, Congress ought not to interpose the regulation of the times, places, and manner of lding elections for Senators and Representatives, ɔept only in such cases in which the Legislatures the respective States, or any of them, may neg-t, refuse, or be unable to make provision, or for ɜ purpose of appointing a uniform time for the ction of Representatives; and that the Legisla-re of any State may, at its discretion, lay out such ate into convenient districts for the election of ɔpresentatives, and may apportion its Represen-tives to and among such districts. And also that, cept as to duties on imports and exports—in the ɔst-office, and duties of tonnage, the United States ıd the States respectively have concurrent and co-ɲual authority to lay and collect all taxes whatever; ıd therefore that neither of them can, in any wise, ɔntravene, control, or annul the operation or execu-on of any law of the other for the imposition or col-ction of any tax, except as aforesaid. And also that ıere must be once in every four years an election of ıe President and Vice-President, so that no other fficer who may be appointed by Congress to act as

President in case of the removal, death, resignation, or inability of the President and Vice-President, can in any case continue to act beyond the termination of the period for which the last President and Vice-President were elected; and also that the judicial power of the United States, in cases in which a State may be a party, does not extend to criminal prosecutions, or to any suit by private persons against a State; and that the appellate jurisdiction of the Supreme Court cannot authorize a second trial of any suit in any criminal case whatever, or a second trial of any suit determinable in the course of the common law by a jury, and which shall have been so determined in the original cause. And lastly, that the process of presentment and indictment by a grand jury ought to be observed in every prosecution for any crime, as a necessary preliminary to the trial thereof.

And in order that the foregoing declarations and Constitution may be recognized and inviolably observed in the administration of the government of the United States, this Convention, in the name and behalf of the people aforesaid, do hereby enjoin upon the Senators and Representatives of this State in the Congress to procure, as soon as may be after the meeting of Congress, a declaratory act in conformity to these presents.

We would also agree to recommend the following amendments to the Constitution:

I. That there shall be one Representative for every 30,000, according to the enumeration or census mentioned in the Constitution, until the whole number of Representatives amounts to two hundred;

after which that number shall be continued or increased, but not diminished, as Congress shall direct, and according to such ratio as Congress shall fix in conformity to the rule prescribed for the apportionment of Representatives and direct taxes.

II. That the court for the trial of impeachments shall consist of the Senate, the judges of the Supreme Court of the United States, and the first or senior judge for the time being, of the highest court of general and ordinary common-law jurisdiction in each State. That Congress shall, by standing laws, designate the courts in the respective States answering this description, and in States having no courts exactly answering this description, shall designate some other court, preferring such, if any there be, whose judge or judges may hold their places during good behavior,—provided that not more than one judge shall come from one State. That Congress be authorized to pass laws for compensating the said judges, and for compelling their attendance, and that a majority at least of the said judges shall be requisite to constituting said court. That no person impeached shall sit as a member thereof. That each member shall, previous to the entering upon any trial, take an oath or affirmation honestly and impartially to hear and determine the cause; and that ——— of the members present shall be necessary for a conviction.

III. That the authority given to the Executives of the States to fill the vacancies of Senators be abolished; and that such vacancies be filled by the respective Legislatures.

IV. That the compensation for the Senators and Representatives be ascertained by standing laws; and that no alteration of the existing rate of compensation shall operate for the benefit of the Representatives until after a subsequent election shall have been had.

V. That no appropriation of money in time of peace for the support of an army shall be by less than two-thirds of the Representatives and Senators present.

VI. That the Executive shall not take the actual command in the field of an army without the previous direction of Congress.

VII. That each State shall have power to provide for organizing, arming, and disciplining its militia, when no provision for that purpose shall have been made by Congress, and until such provision shall have been made that the militia shall never be subjected to martial law, but in time of war, rebellion, or insurrection.

VIII. That the Journals of Congress shall be published at least once a year, with exception of such parts relating to treaties or military operations as in the judgment of either House shall require secrecy.

IX. That the judicial power of the United States shall extend to no controversy respecting land, unless it relate to claims of territory or jurisdiction between States, or to claims of land between individuals, or between States and individuals, under grants of different States.

X. That no judge of the Supreme Court shall hold any other office under the United States or any of them.

ADDRESSES

ADDRESSES[1]

NEW YORK, February 18, 1789.

To the Supervisors of the City of Albany, in the County of Albany.

GENTLEMEN:—The last Tuesday of April next being the day appointed by law for the election of a governor for the ensuing three years, the great importance of making a wise choice in the present peculiar situation of our local and national affairs

[1] The Constitution having been ratified by the necessary number of States, the Federalists everywhere made the utmost efforts to elect Senators and Congressmen who were favorable to the new scheme. Nowhere was their task more difficult than in New York. The contest in the Convention had been very severe, and the ratification had been carried only by sheer force of argument and outside pressure. The head and front of the opposition was Governor Clinton, a man with a very great personal following, of strong will and much ability. Hamilton threw himself into the conflict with his usual zeal. He travelled through the State, and published the address given above; and, not content with this, he sought to break down Clinton and defeat his re-election. With this object he published a second address and the letters of "H. G.," which follow, and which are a sustained attack upon the Governor's whole course and attitude. Clinton was re-elected by a majority of less than 500, but his power was fatally crippled, and the opposition was demoralized as Hamilton desired. The Federalists on their side obtained four out of the six Congressmen, and subsequently the two Senators. These addresses and the letters of "H. G." are not of course constitutional arguments, but they are an important part of the work which Hamilton did for the Constitution, and complete his labors for a new system of national government, which began under the tents of the revolutionary army, and ended with the inauguration of Washington.

appears to have made a deep impression on the minds of considerate men in the different parts of the State.

On the eleventh instant, a numerous meeting of respectable inhabitants was held in this city to consult on what was best to be done in relation to that object, and we have been advised that similar meetings have been held in some other counties.

The meeting in this city were unanimous in the result of their deliberations, and we, the subscribers, were appointed a committee to correspond with our fellow-citizens in the other counties upon the subject, in order that a mutual communication of sentiments might promote mutual confidence, and a happy concert in such a choice, as a dispassionate attention to the good of the community, divested of all particular attachments or dislikes, should be found to recommend.

The *people* of this State are *the sovereigns* of it, and being now called upon by their constitution to appoint a Chief Magistrate, it cannot but be useful that so high an act of sovereignty should be preceded by an interchange of ideas and sentiments, especially at so critical a juncture as the present; for at no period can it be more necessary to take care that our affairs be committed to the management of disinterested, discreet, and temperate rulers, than at a period when the heats of party are to be assuaged, discordant opinions reconciled, and all the inconveniences attending changes in national government provided against.

As this State is only part of a larger community,

as its prosperity must therefore materially depend on its maintaining its due weight in the national scale, on its being charged with only its due proportion of public burdens, and on its deriving from the General Government its due share of favor and protection, it is evidently of the greatest moment that the people should be *united* and circumspect, and their rulers should be men who will neither be seduced by interest nor impelled by passion into designs or measures which may justly forfeit the confidence or friendship of the other members of the great national society.

On this ground it is highly necessary that the Chief Magistrate of the State should be free from all temptation wantonly to perplex or embarrass the National Government,—whether that temptation should arise from a preference of partial confederacies, from a spirit of competition with the national rulers for personal pre-eminence, from an impatience of the restraints of national authority, from the fear of a diminution of power and emoluments, from resentment or mortification proceeding from disappointment, or from any other cause whatsoever. For all attempts to perplex and embarrass, would not only tend to prevent the government from doing the good they may meditate, but would also expose this State to the distrust and ill-will of the others.

It is also of no inconsiderable consequence, in the same view, that the governor of the State should be of a disposition to pay those decent attentions, and practise that becoming republican hospitality, which the persons who administer the National Government,

and distinguished strangers in public character, whom the affairs of the nation call to reside in our capital, have a right to expect. The dignity as well as the interests of the State require this, and ample provision is constantly made for it by the liberal salary and perquisites annexed to the office. A contrary conduct cannot fail to create disgust and contempt; and to draw not merely upon the magistrate himself, but, in some measure, upon the State, imputations not a little mortifying to a people long celebrated for their hospitality, and who uniformly enable their executive representative to maintain their character in this respect. For it can never be presumed to be their intention to attach such considerable emoluments to the office *merely for the sake of enriching its possessor.*[1]

Many considerations might be detailed to show the important light in which our political annexation as a member of the Union ought to be viewed, and to demonstrate how much the regulation of our trade, the repossession of our frontier posts, and various other important interests may be affected by our having much or little influence in the Confederacy. But this would lead to a discussion too long for the occasion, and, to reflecting men, would be unnecessary. Hence, however, this inference is to be drawn, that we cannot be too careful of keeping power and opportunity from those whom we have reason to believe may be predisposed to employ them in a manner calculated to alienate the friendship and confidence of our sister States.

[1] In allusion to Clinton's wealth and parismony.

As to the domestic situation of the State, it appeared to the meeting to be such as to admonish us to use great circumspection in the choice of a Governor. The council of appointment is so powerful an engine in the hands of a governor, for perpetuating himself in office, that his conduct in it cannot be regarded with too watchful an eye; because it is evident, that an artful man may, in the course of ten or twelve years, so fasten himself to the office, by means of this engine, as to become too indifferent to the opinion and control of the people, and perhaps immovable by the efforts of the virtuous and independent. Extremely free from blame, therefore, and from all *suspicion* of undue attachment to place or to profit, and very satisfactory to the *community* at large, ought to be the administration of a governor, to render it prudent in the people to leave so powerful an engine in his hands for a long succession of years.

As, on the one hand, in this council of appointment, the governor will, for the most part, have a preponderating influence, so, on the other, that influence will generally be exerted according to the views and wishes of the man. If he wishes to promote the public good, and to acquire fame and popularity by acting as the governor of the State, and not as the governor of a party, then merit in every situation will be cherished and employed. If, on the contrary, offices are to be the price of obedience, and men are to enjoy his favor no longer than they consent to be his tools, merit will be neglected, and the State must suffer by having the

public business, in too many instances, intrusted to improper hands.

In addition to the parties which have too long existed in the State, on personal and particular grounds, it must be lamented that the new Constitution for the government of the United States has divided the community on a more extensive scale, and has occasioned animosities which have not yet ceased to operate. On that great question very honest men took opposite sides; and those who were not honest assisted in "troubling the waters."

But certainly it is now high time that those parties should subside; and should, for the sake of the public good, unite; agreeing in these two points, that all should join in supporting the Constitution established by the people of the United States, and that all should join in obtaining a reconsideration of the parts which have been the subject of objection, in order that every reasonable and safe endeavor may be used to give universal satisfaction, to remove the apprehensions entertained by the honest opponents of the system, and to provide, if upon cool and deliberate examination any be found requisite, such additional securities to the liberties of the people as shall be compatible with the salutary and necessary energy of an efficient National Government. To such a compromise, it is essential that the unhappy divisions which now exist among us should be buried. And to this end it is equally essential that our first magistrate should be a man of moderation, sincerely disposed to heal, not to widen, those divisions; to promote conciliation, not

dissension; to allay, not to excite, the fermentations of party spirit; and to restore that cordial good-will and mutual confidence which ought to exist among a people bound to each other by all the ties which connect members of the same society.

It is seriously to be deplored that dissension reigns in the most important departments of the State, and as dissensions among brethren, so destructive to the happiness of families, are often appeased by parental influence and prudence, so there is good reason to flatter ourselves that a Chief Magistrate, sincerely desirous of re-establishing concord, may without much difficulty effect it, especially if he should owe his exaltation to the votes of both the contending parties.

Reflections of this nature had their full weight in forming the opinion of the meeting which appointed us, not only as to the necessity of choosing some other person than the present governor, but as to the man whom it would be desirable to substitute.

As we are aware that the warm partisans of men in office are apt to represent every attempt to change them as a species of personal injury, we think it necessary to remark in this place, that at the expiration of his three years the Constitution will return the present Chief Magistrate to the mass of the people. The question is not, therefore, whether he shall be put out, but whether he shall be put in. As no man has a right to office, or re-election, in virtue of long possession, no man, of course, can have a right to complain if the people do not think it proper to continue *to be governed by him.*

In the consideration of the character most proper to be held up at the ensuing election, some difficulties occurred. Our fellow-citizens in some parts of the State had proposed Judge Yates, others had been advocates of the Lieutenant-Governor, and others for Chief-Justice Morris. It is well known that the inhabitants of this city are, with few exceptions, strongly attached to the New Constitution, and have been remarkably unanimous and active in its support. It is also well known that Lieutenant-Governor Cortland, and Chief-Justice Morris, whom we respect and esteem, were zealous advocates for the same cause. Had it been agreed to support either of them for the office of governor, there would have been reason to fear that the measure would have been imputed to party, and not to a desire of relieving our country from the evils they experience from the heats of party. It appeared, therefore, most advisable to elect some man of the opposite party in whose integrity, patriotism, and temper confidence might be placed, however little his political opinions on the question lately agitated might be approved by those who were assembled upon the occasion.

Among the persons of this description, there were circumstances which led to a decision in favor of Judge Yates. And we flatter ourselves that this decision, to those who are acquainted with the situation of the State, will be most likely to appear well founded. It is certain that as a man and a judge he is generally esteemed. And though his opposition to the New Constitution was such as his friends cannot but disapprove, yet, since the period of its adop-

tion, his conduct has been tempered with a degree of moderation, and regard to peace and decorum, which entitle him to credit; and seem to point him out as a man likely to compose the differences of the State, and to unite its citizens in the harmonious pursuit of their common and genuine interest.

Of this at least we feel confident, that he has no personal revenge to gratify, no opponents to oppress, no partisans to provide for, nor any promises for personal purposes to be performed at the public expense. On the contrary, we trust he will be found to be a man who looks with an equal eye on his fellow-citizens, and who will be more ambitious of leaving a good name than a good estate to his posterity.

For these, and for other reasons, which considerations of decorum induce us to pass over in silence, the meeting was unanimously of opinion that it would be advisable to try Judge Yates as our governor for the next three years. They were persuaded that the State could not lose by the experiment, and entertained strong hopes that much good would redound to it from his administration.

We shall be happy to find that the same reasons, and that regard for the public weal, which has at all times distinguished their conduct, may induce the Lieutenant-Governor and Chief-Justice Morris to forbear a competition which can evidently, under the existing circumstances, answer no *good* purpose; and that they, and their particular friends, do generously join with their fellow-citizens of every place and party, in promoting the election of Mr. Yates, as the only candidate likely to succeed, whose

character affords a prospect that he will, under Providence, be instrumental in preserving and advancing the dignity and interests of the people, and in restoring to them the blessings of union and cordiality at home and respect abroad.

It will give us great pleasure to learn the sentiments of your county on this important subject, and to know that they coincide with those which we entertain, and which we have every reason to believe, correspond with the general sense of the people of this city and county. We acknowledge that we feel a very serious anxiety for the issue; and that, from the most mature reflection, we regard a change in the person of the Chief Magistrate, as a matter of high importance to the tranquillity and prosperity of the State. Nor can we forbear, as brethren and fellow-citizens, earnestly to exhort the inhabitants of your county to weigh well the importance of the opportunity which the approaching election presents to them, and to resolve to exercise their right of suffrage, in that unbiassed and independent manner, which becomes a free and enlightened people. We shall only add, that it is manifestly essential to ensure success to the attempt, that all those who concur in the expediency of a change should zealously unite in the support of the same candidate.

I have the honor to be,

Gentlemen,

Your obedient servant,

By order of the committee,

ALEXANDER HAMILTON,

Chairman.

To the Independent and Patriotic Electors of the State of New York.[1]

In our last address we mentioned to you our intention of offering some remarks upon that which has been lately published by the committee appointed to promote the re-election of our present Governor. This we shall now do; and we flatter ourselves that what we shall say will meet with your candid and serious attention. Respect for ourselves, as well as for you, will prevent our imitating the spirit of invective and uncandid speculation which abounds in that performance. Acting, as we trust we do, from reason, not from passion, we shall continue to address ourselves to the reason, not to the passions, of our fellow-citizens.

The writers of the address in question set out with describing to us the long services of the present Governor—his meritorious administration during the late war, his good conduct in preserving peace and order within the southern district, after its evacuation by the British forces.

We feel no inclination to detract from the merit of the Governor's services during the war, nor shall we examine whether they have been overrated or not. We are ready to acknowledge that they were

[1] This address, which has never before been included in any edition of Hamilton's works, I owe to the kindness of Mr. Henry A. Homes, State Librarian of New York. The Clintonian Committee published an address on March 9, 1789, and this, as will be seen from the opening sentences, is in answer to the attacks of the Governor's friends. This second address, unknown until discovered by Mr. Homes, is reprinted from a probably unique copy of the original broadside or pamphlet in the State Library at Albany.

considerable, and that they entitled him to the esteem of his country.

With regard to the credit given to him for the order preserved in this part of the State after the peace, we shall only observe that at the most critical period, the management of affairs was in the hands of the council appointed for the temporary government of the southern district, in which the Governor had no greater agency than any other individual member.

But, admitting all that can be asked in either of these respects, it surely will not follow that we ought therefore to consent to be perpetually governed by the same man, however exceptionable his subsequent conduct may have been. If he has departed from the principles by which he may have been once actuated; if he has quitted the pursuit of the public good for that of a selfish and interested policy; if he has betrayed a stronger attachment to his own power, influence, and advantage than to the dignity, respectability, and prosperity of the people; if, instead of being the impartial head of the State, he has become the zealous head of a party in it; if, instead of acting as the appeaser and calmer, he has in any instance acted as the fomenter, of dissension; if he has at any time contributed to sacrificing the interests of the State by encouraging the obstinacy and intemperance of party conflicts;—in either of these suppositions, the merit of his early administration will be a very insufficient recommendation to the future choice of the community.

How far imputations of this kind may be applic-

able to the conduct of the Governor for some years past, we forbear particularly to discuss. It is certain, however, that a very large proportion of the community are now, on different accounts, greatly dissatisfied with his administration, and that many more entertain serious doubts and apprehensions. The presumption is, that this has not happened without cause. Moderate and discreet men of all parties will at least agree that the existence of such a state of things, from whatever source it may proceed, is a *real evil* which calls for some effectual remedy. When discontents with the head of the State have taken possession of a large part of the people, and have been produced by causes which render them likely to last, they form in republican governments a powerful reason for a change, as perhaps the only means of securing or re-establishing confidence in the government. When those discontents are immediately connected with the party divisions which exist in the State, such a change will generally be found essential to the restoration of harmony among the citizens (a blessing which cannot be too highly prized nor too anxiously promoted).

That the spirit of party has attained an alarming and pernicious height in the State, must be apparent to all dispassionate observers. It has been conclusively witnessed in the last session of the Legislature. Which of the parties was right, which wrong, would be an endless discussion. But it cannot admit of a doubt that the interests of the State have suffered in the contest;[1] and there is too much

[1] Our representatives in Congress are not yet ascertained, and we

probability that they will continue to suffer from the same spirit, until there is at the head of the State a man who enjoys the good-will of both parties, and is disposed to temper and heal their mutual irritations.

On the subject of the parties which exist in the State, much is said in the address under consideration. Some of the observations contained in it are just, but we do not conceive apply to the case; others of them appear to us altogether fallacious.

It is just, for instance, that difference of opinion, on a great political question occasionally arising in a community, does not constitute what is understood by *spirit of party.* Men, in such cases, ought to take their sides according to their convictions, though they should be cautious not to suffer their zeal to hurry them into irrational extremes.

But when the Governor is objected to as the head of a party, we presume it is not on account of the side he took in the question concerning the new Constitution. It is true, indeed, that the friends of that Constitution are of opinion that circumstances have attended the Governor's conduct in relation to it, *before* it appeared, *after* it appeared, and before its adoption, and even *since* its adoption, which savor of prejudice and intemperance, and subject him to suspicions derogatory to his prudence and patriotism. But the objection to him as the head of a party reaches much further back than the new Constitution. Discerning men, soon after the peace, perceived that he had formed a close connection

have no senators appointed.

with a particular set of characters, in whose public and private views he was continually embarked.

It is asked, What could have been his object in thus devoting himself to a party? The answer is plain: to keep himself in place—to perpetuate himself in the enjoyment of the *power* and *profit* of the office he holds.

But it is asked again, Why, if that was his wish, did he not connect himself with the wealthy and the great? These, it is pretended, would have been better instruments of a scheme of personal aggrandizement.

Such a suggestion has scarcely the merit of plausibility. It is well known that large property is an object of jealousy in republics, and that those who possess it seldom enjoy extensive popularity. The Governor was aware that he would have risked the loss rather than have promoted the continuance of that which he possessed, by connecting himself with men of that class; and that his purpose could be better answered by an opposite course. Besides, from men who would suppose their pretensions not inferior to his, he would be more likely to experience *competition and contradiction.* The history of republics affords more examples of individuals arriving at dangerous pre-eminence, by a policy similar to that which has been pursued by the Governor, than in any other mode.

It is asserted, in order to excite prejudice, that the opposition to the Governor arises from the wealthy and the great. We believe it to be true that the principal part of the men of the most considerable property in the State are of opinion that a change is

necessary. But we believe it to be not less true that the same opinion embraces a large proportion of all other classes of the community. Will it follow that it must be wrong because men of property concur in it? Are they less interested than other people in good government? Do they advocate *one of their number* for his successor? Judge Yates certainly does not fall under that description. What motive, then, can they have, besides the public good, for giving him their support and suffrages?

It has been said that Judge Yates is only made use of on account of his popularity, as an instrument to displace Governor Clinton, in order that at a future election some one of the great families may be introduced. Let this surmise be candidly considered. It is admitted that Judge Yates is now a popular character; and it will not be doubted that he is a man of sense and integrity. If *he conducts himself with propriety*, it is not to be imagined that, with the addition of the influence which will naturally flow from the possession of the office, he will be less able, at the end of three years, to maintain his ground against any *partial* combinations which may have been formed against him, than he now is to succeed against the accumulated weight of a twelve-years' administration. Nothing, therefore, can be more far-fetched or strained than the supposition that such a design, as is mentioned, is entertained. It is evidently a mere artifice to destroy the effect of Judge Yates' general good character on the minds of his fellow-citizens, and to divert his friends from exerting themselves in his behalf.

The cry against men of property has been carried to an extreme by the friends of the Governor, which ought to alarm the considerate of every class. There is no stronger sign of combinations unfriendly to the general good, than when *the partisans of those in power* raise an indiscriminate cry against men of property. It argues *sinister designs*, which it is feared may be counteracted, by those whose situation renders them most likely to be independent. Such a cry is neither just nor wise. Not just, because no man ought to be hated for being either rich or poor. Providence has distributed its bounties in the manner best adapted to the general order and happiness. Not wise, because it tends to alienate those who are endeavored to be made odious, from the government under which they live, and to incline them to favor changes in the hope of bettering their condition; and because, in the second place, by destroying the confidence of the body of the people in men of property, it makes a co-operation between them for the defence of their common privileges and interests more difficult, and consequently renders it more easy for aspiring men, in possession of power, to prosecute schemes of personal aggrandizement and usurpation. These observations, we are confident, will strike the good sense of our fellow citizens.

Many of our most considerate citizens have long been of opinion that the Governor has possessed an undue and dangerous influence. In our first address we intimated the means by which such an influence might be acquired, through the medium of the council of appointment.

To this it is answered that the council of appointment consists of four members of the Senate annually chosen by the Assembly, and that it is improbable the Governor should be able materially to influence appointments made by a council so constituted. This we take to be the substance of the answer. Let us see if it be a satisfactory one.

It is to be remembered that though the council is constituted as stated, the Governor is a *standing member* of it, and in case of equal division has a casting vote. It is likewise to be attended to that he has constantly claimed the right of *previous nomination*, and we are greatly misinformed if he has not extensively practised upon that pretension. The exercise of such a power places the choice essentially on the Governor. If he is first to name the man who may be appointed, none can be appointed who are not agreeable to him. It is true the council may negative his nomination, but even this will require a majority; for if equally divided he can turn the scale in favor of his own nomination. If the person proposed be rejected by a majority, still it is in his power to propose another of his own liking, and to repeat this as often as he pleases, till an appointment is made in some degree conformable to his wishes. We do not presume that the practice has been answerable to the full extent of the principle. The power of previous nomination has been long since called in question, and it is probable that it has been found expedient to exercise it with caution, and oftentimes even to forbear the use of it. But in the general course of things it is presumable that the

operation of that pretension has given the Governor a prevailing influence in appointments.

But independent of the power of previous nomination, the mere circumstance of being a standing member of so *small* a council with a *casting vote* must give a man of tolerable address a preponderating weight in its arrangements, and consequently an extensive influence from the distribution of offices. Those who are in pursuit of them will naturally look up to him as one who must at all events have an agency in the business. Even the members of the council will be apt to gratify him to obtain his concurrence at the time and upon future occasions in appointments in which themselves personally or their friends are or may be interested. There are, besides, various expedients which an artful man may employ to carry his points in such a council. Times and places of meeting may be so managed as to exclude from attendance those whose presence may not be desired. There is room to suppose that the present Governor has not been inattentive to these advantages, and that he has even gone so far as to avoid making appointments, in the usual course, by a council disagreeable to him, in order to have them made by one more at his devotion.

Public opinion, we apprehend, corresponds with this reasoning concerning the Governor's influence in appointments. Those who are in quest of office generally think themselves sure of success, if they have reason to believe they have secured his co-operation.

The considerations which have been stated are,

we think, sufficient to show that the council of appointment is such an engine as we have before represented it to be, and that the conclusions which have been drawn from it are natural and pertinent.

Whether an improper or excessive influence has in fact been derived from the use of that engine, those who have been attentive to the progress of public affairs must decide for themselves. Appearances must be carefully consulted, and if there are instances in which members of the Legislature have been seen to change one party or system disagreeable to the Governor, for another party or system agreeable to him, and if that change of conduct has been observed to be speedily followed by the reception of lucrative appointments, the conclusion from such a fact would be irresistible.

The argument which is used against the supposition of such an argument can have no weight. It is said that such a supposition is a reproach to our representatives which ought to excite indignation. This is one of those arguments—if it may be called an argument—which proves too much, and is capable of being used at all times and under all circumstances. If it amounts to any thing it amounts to this, that it ought never to be supposed that our representatives can be *improperly influenced;* a position contrary to experience and human nature, and calculated to destroy that watchfulness in the people over the conduct of their representatives, which is an indispensable security of republican government.

We have too good an opinion of the virtue of our

countrymen to believe that any large proportion of those who may in any case have united in the views of the Governor have been under a sinister influence; but we think it very supposable that a *few* may have been in this situation, and that these few, by their advice and example, may have operated upon others so as to place a majority on the side where it might not otherwise have been.

In making these observations, our great object is to show that such an influence as is apprehended may be supposed consistently with probability and the usual progress of things. The reality of its existence, as we have already remarked, must be judged of from circumstances. If there are appearances which render it *probable*, the rules of republican caution will admonish us to seek a change. A very respectable part of the community are of opinion that the length of time for which the present Governor has been in office is alone a sufficient reason for his removal. This, however, is a sentiment which this committee have never expressed. The idea contained in our first address is, that considering the means of influence derived to our executive, from the nature of our council of appointment, *the administration of a governor ought to be free from blame, and from all suspicion of undue attachment to place or to profit, and very satisfactory to the community at large, to render it prudent in the people to leave so powerful an engine in his hands for a long succession of years.* In this sentiment, we doubt not, we shall be joined by every prudent and independent citizen.

How far, however, some of the gentlemen who

combat the position that long continuance in office is of itself a sufficient reason, in republican governments, for a change of men are consistent with themselves, requires some explanation. Mr. Melancthon Smith, one of the committee in the convention of this State objected to the constitution of the President of the United States, on account of the want of the principle of rotation, or, in other words, because he, like the governor of this State, may be re-elected as often as the people think proper, and proposed or advocated an amendment to alter that circumstance, which was adopted by our State convention. The great argument was the danger in republics of trusting power too long in the same hands. It will be difficult to show that the spirit of this objection does not operate against the re-election of a man who in this State has held the reins of government for near *twelve* years. It might even, with great force, be urged that it is more wise to observe the principle of rotation in practice, than to make it one of the fundamentals of a constitution. For though it might be imprudent to deprive the people of the liberty of making use of a man, in *particular emergencies*, when his services might happen to be *essential*, it may be very prudent in them to make changes from time to time, when no *public exigencies* call for *particular men*, merely to guard against the danger of a too long continuance in office.

In our first address we intimated the ill effects of the want of decent republican hospitality towards the members of Congress, and other public characters whom the affairs of the government call to reside

in this city. This has been answered by describing in strong terms the evils of extravagance and dissipation. It is asked whether it would be agreeable to the citizens of this State to see the principal magistrate constantly engaged in a scene of dissipation and luxury. We answer, most certainly not. We should be as ready to reprobate this conduct as the *contrary extreme*. But is there no *medium* between *extravagance* and *parsimony?* Cannot a chief magistrate observe the requisite attentions of hospitability without running into riot or intemperance, or exceeding the bounds of decent frugality and orderly living? Is it not even his duty to attend to the *former* as well as to the *latter?* Must not the supposition that it is so have been one of the inducements of the Legislature in annexing to the office the liberal emoluments which have been constantly annexed to it? Can we believe that our representatives would have been so lavish of the money of their constituents as they must have been if that was not a motive?

It is with reluctance we dwell upon this subject, but the friends of the Governor, by pressing his apology too far, have made it necessary. The charge against him in this respect is not, that he has been *frugal*, but that he has been *penurious;* not that he has paid a reasonable regard to a comfortable provision for his family, but that he has applied the greatest part of his public allowance to the accumulation of a large fortune, neglecting what was due to the decorum and dignity of his station.

It is, we conceive, impossible to join with his

friends in ascribing his conduct, in this respect, to the laudable motive they assign, the desire of setting an example of moderation and frugality. If he had been actuated by such a motive, why has he been always ready to accept such liberal allowances of the public money? Why did he never say to the Legislature: "I wish to ease the burthens of the people. I find by experience that you have been more bountiful than is requisite to the decent and proper support of the office. Let my salary be retrenched."[1] Such we think would have been the language and conduct of patriotic moderation; but the disposition *to receive much and spend little*, bespeaks the predominancy of a passion which certainly is no ornament in a public character.

As to the quantity of the property which may have been amassed by the Governor, during his administration, this is a subject which we should have left untouched, were it not for some observations in the address which seem to require notice. Whether the intimations, of fraudulent or indirect practices in that gentleman, which have appeared in the public prints, have really been serious accusations of imprudent adversaries, or fictitious charges brought by the friends of the Governor, for the sake of refuting them, and having it believed that he has been ill treated, we will not undertake to decide. But thus much we shall say, that the supposition of such practices has no share in the motives which, in our

[1] His friends give him credit for the reduction of his salary the last session; but if he had any share in the business, it cannot be considered as very meritorious at the eve of an election at which he knew he would be strongly opposed.

estimation, render his re-election inadvisable. And though we do not agree in the opinion that the idea of his being possessed of a large fortune is groundless, yet we should not impute blame to him on that account, in any other view than as he may be justly chargeable with *penury* in the manner of acquiring it, and with *disingenuity* in the attempts to conceal it. It is undeniable, that he has received from the State what may be deemed a handsome fortune, in a few accumulated payments,[1] and that he has made several profitable speculations in land. Some of these are publicly known, and others of them, we have good grounds to believe, are covered under the names of third persons.

The address under consideration contains many observations on the Governor's conduct and views in relation to the Constitution of the United States. To examine the justice or propriety of them would involve a discussion into which we cannot think it expedient to enter. After all that could be said, the judgment of every man would be regulated very much by previous opinions, and by a recurrence to *facts*. *These* are the only satisfactory standard to which we can resort. Professions or assertions will

[1] On a settlement of his accounts some time in the year 1782, there was a balance in his favor of upwards of 8,000 pounds. This sum he retained out of monies borrowed by him on the public account about that period, or some time in the year subsequent. His salary since that period has amounted to about 9,000 pounds, and there can be no doubt, from the manner of his living, that considerably more than one half of this has been saved. The mere interest of 8,000 pounds, for six years, is 3,920 pounds, so that taking it for granted the Governor has not left his money idle, and excluding the idea of extraordinary increase in land speculations, we have here data for supposing a fortune of not much short of 20,000 pounds.

never countervail, in any reasonable mind, the evidence which arises from them.

We must, however, observe that, in our opinion, the friends to amendments, of whatever party, will do well to join in support of Judge Yates. That gentleman, by having the confidence of both parties in this State, will be more likely to have the confidence of the United States, than one who is supposed by many of the most intelligent friends of the Constitution among us to desire its entire subversion. And it must be evident, that as far as the governor of a State can contribute to the attainment of amendments in the National Constitution, the man who is most likely to have the confidence and good-will of the Union will be the most likely to effect it.

In our first address we advanced the sentiment, that all should join "in the support of the Constitution established by the people of the United States, and that all should join in the reconsideration of the parts which have been the subject of objection." On this point we are charged with inconsistency, and it is asserted, that there is every reason to believe that the principal opponents of the Governor do not wish to see *any* amendments to the Constitution, and are averse to a reconsideration of it. As far as we are concerned, we affirm that the charge is destitute of truth, and we defy those who make it, to produce any thing like proof of its being well founded.

It is true that on the occasion of the election of a representative of this district in Congress, we most

of us contended for the propriety of choosing a person attached to the Constitution; but this certainly has nothing to do with a disinclination to amendments or to a reconsideration of the system; nor will it in any candid mind appear to militate against the sincerity of the desire, which we profess to have, of reconciliation and union between the different parties in the State. It was not to be doubted, that in other parts of this State every effort would be made by those who opposed the Constitution, to choose for representatives men of sentiments similar to their own, and it could not reasonably be expected, under such circumstances, that its friends in a friendly district would not be equally strenuous for representatives of their own sentiments. Could it be expected that we should abandon the distinctions which actually exist, previous to a foundation being laid for a reciprocal renunciation of them? This is the desirable object at which we and our fellow-citizens now aim.

Nor can a better proof be given of it than in the disposition manifested to support a man of political opinions different from those generally entertained by them and by us. And we strongly flatter ourselves that the desirable end in contemplation will be attained by the co-operation of all those throughout the State who wish to see the spirit of faction and dissension extinguished.

We forbear any further comment on the address of our opponents. We trust that nothing they have offered, which has the semblance of argument, remains unattended to, and we do not choose to

pursue them into any other field. We trust tha
the considerate, disinterested, and independent,
the sincere lovers of peace and harmony, all those
are unwilling to sacrifice the *good of the State* to
aggrandizement or advantage of an *individual,*
heartily unite in the endeavor to appease the
tractions of the community. It is evident tha
large proportion of it is, in all probability, irre
cilably dissatisfied with the administration of
present Chief Magistrate. There can, therefore,
no rational hope of future union or concord ur
his auspices. And we boldly appeal to the br
of every good citizen, and ask what inducem
there can be to support the re-election of Gove
Clinton, which ought to stand, even for an inst
in competition with the blessings of union
concord.

By order of the Committee,

ALEXANDER HAMILTON,

Chairma

LETTERS OF H. G.

LETTERS OF H. G.

LETTER I

NEW YORK, February 20, 1789.

DEAR SIR:

Your letter of the 18th instant has duly come to hand, and entitles you to my particular thanks. In return I shall endeavor fully to comply with your request, and furnish you, in a series of letters, with all the material in my power to enable you to judge what conduct it will be proper for you to pursue in relation to the ensuing election for governor. Your influence is considerable, and you do well to examine before you resolve on what side to bestow it.

The present Governor was bred to the law under William Smith, Esquire, formerly of this city. Some time before the late revolution he resided in Ulster County, and there followed his profession with reputation, though not with distinction. He was not supposed to possess considerable talents, but, upon the whole, stood fair on the score of probity. It must, however, be confessed, he very early got the character with many of being a very *artful* man, and it is not to be wondered at, if that impression, on the minds in which it prevailed, deducted something from the opinion of his integrity. But it

would be refining too much to admit such a consequence to be a just one. There certainly are characters (though they may be rare) which unite a great degree of address, and even a large portion of what is best expressed by the word *cunning*, with a pretty exact adherence in the main to the principles of integrity.

Mr. Clinton, from his youth upward, has been remarkable for a quality which, when accompanied by a sound and enlarged understanding, a liberal mind, and a good heart, is denominated *firmness*, and answers the most valuable purposes; but which, when joined with narrow views, a prejudiced and contracted disposition, a passionate and interested temper, passes under the name of *obstinacy*, and is the source of the greatest mischiefs, especially in exalted public stations.

This gentleman, immediately preceding the contest with Great Britain, was several times returned a member of Assembly for the county in which he lived, and being of a warm, zealous, and resolute temper, became in a great measure the head of one of the parties which then prevailed in the Legislature. The merit or demerit of these parties is not now worthy of discussion, nor can they, or the principles upon which they reciprocally moved, be too soon or too entirely buried in oblivion.

In the beginning of 1775 the contest with Great Britain had become serious; and we all remember the interesting question then agitated in our Assembly, respecting the co-operation of this State in the general measures of America. Here Mr. Clinton

and Mr. Philip Schuyler[1] were the leaders of the minority, who advocated the propriety of that co-operation; and both these gentlemen, for their conduct upon the occasion, will always be entitled to credit from the friends of the revolution. To compare the degree of merit to which they may respectively lay claim would be an invidious task. But as the partisans of Governor Clinton have taken pains to propagate an opinion of superior merit in him, in regard to this transaction, it is but justice to the other gentleman to observe that he was equally *open* and *decided* in the part he took in that question; that as none will pretend to ascribe to Mr. Clinton greater abilities than to Mr. Schuyler, the exertions of the latter must have been at least as useful as those of the former; and that Mr. Schuyler has in his favor the additional circumstance of having risked a large property, which Mr. Clinton had not to risk, upon the event of this revolution.

With sincere esteem,
I remain, dear sir,
Your obedient servant,
H. G.

To ———, Esq., Suffolk County.

LETTER II

New York, February 21, 1789.

SIR:

Shortly after the breaking out of the war with Great Britain, Mr. Clinton received an appointment

[1] Then called Colonel Schuyler, and since General Schuyler.

as brigadier-general, in which capacity he served until he was elected governor of this State, some time in the early part of the year 1777.

In both these situations, from the condition of the State, which, during the greater part of the war, was its principal theatre, Mr. Clinton was frequently engaged in military duties. There is, however, no part of his character which has been more misrepresented than the military part of it. His panegyrists describe him to us as the "war-worn veteran"—the complete soldier—the consummate general. One would imagine from their stories of him that he had often, in the language of Sergeant Kite, "breakfasted upon ravelins, and picked his teeth with palisadoes," —that he was the first of American generals—a Marius in courage—a Cæsar in skill—inferior in nothing to a Turenne or a Monticuculli, an Eugene or a Marlborough. But trust me, my dear sir, this is mere rant and romance. That Mr. Clinton is a man of courage, there is no reason to doubt. That he was upon most occasions active and vigorous, cannot be justly disputed. In his capacity of governor he was ever ready to promote the common cause, prompt in affording the aid of the militia when requisite, and scrupling not, when he thought his presence might be of use, to put himself at the head of them. But here his praise as a soldier ends. Beyond this he has no pretension to the wreath of military renown. No man can tell when or where he gave proofs of generalship, either in council or in the field. After diligent inquiry, I have not been able to learn that he was ever more than once in actual combat. This

was at Fort Montgomery, where he commanded in person, and which, after a feeble and unskilful defence, was carried by storm. That post, strongly fortified by nature, almost inaccessible in itself, and sufficiently manned, was capable of being rendered a much more difficult morsel to the assailants than they found it to be. This, I own, was not the common idea at the time; but it is not the less true. To embellish military exploits, and varnish military disgraces, is no unusual policy. Besides, Governor Clinton was at the zenith of his popularity—a circumstance which disposed men's minds to take a great deal for granted. One particular in this affair deserves to be noticed. It is certain that the Governor made a well-timed retreat (I mean personally, for the greatest part of the garrison were captured), a thing which must have occasioned no small conflict in the breast of a commander nice in military punctilio. But squeamishness on this head had been ill-placed. It was undoubtedly the duty of the *Brigadier* to provide in season for the safety of the Governor.

Those who are best acquainted with the particulars of the burning of Esopus, in the fall of the year 1777, assert that his Excellency was culpably deficient in exertion on that occasion. The fact seems to have been that a large body of men remained unemployed in the vicinity, under his direction, while the descent of the enemy was made with little or no opposition. And there is room to suppose that, if a better countenance had been kept up, the evil might have been prevented.

Very sincerely yours, H. G.

To ———, Esq., Suffolk County.

LETTER III

NEW YORK, February 22, 1789.

DEAR SIR:

You mention, toward the close of your letter, two reports circulating in your county, which you say operate to the advantage of Mr. Clinton: the one, that at the time he first took the chair of government, "the great men," as they are insidiously called, declined the station, through apprehension of the dangers that might attend it,—not less willing *then* to set him up as a mark for the resentment of the power with which we were contending, in case of an unfortunate issue to the war, than eager *now* to deprive him of the well-earned fruits of his courage, after it has been happily terminated; the other, that the exertions made by this State during the war are chiefly to be attributed to his influence.

Truly, my dear sir, had the terms of your letter been less positive, I could not have supposed it possible that suggestions so unfounded as these, and so easily to be disproved by the testimony of all well-informed men, could ever have been propagated.

So far is the first report from being true, that it is a fact notorious to those who were acquainted with the transactions of the period, that in the very first election for governor in this State General Schuyler was a competitor with Mr. Clinton for the office, and it is alleged would have been likely to prevail, had not the votes of a considerable body of militia, then under the immediate command and influence of the latter, turned the scales in his favor.

Neither is there much more of truth in the second

report. Mr. Clinton's zeal and activity in forwarding the revolution were unquestionably conspicuous. But to ascribe to him the chief merit of the exertions of the State is to decorate him with the spoils of others. There were, at every period of the war, choice spirits in both Houses of the Legislature, his equals in zeal and fortitude, his superiors in abilities. These men needed not his incitement to invigorate their efforts, nor his counsel to direct their plans.

One of the number *only* I shall name, Egbert Benson, Esq., the present attorney-general; this gentleman, in the capacity of a member of the Assembly, long had a principal agency in giving energy and animation to the measures of the State. In confining myself to the mention of Mr. Benson, it is not because there are not others who have an equal right to it, but because it is his peculiar good fortune *to have virtues and talents, and yet to be unenvied.* And as it is my intention you should be at liberty to make any use of these letters which you may think proper, I am unwilling to attempt an enumeration of all the characters alluded to, lest, if incomplete, it should be the occasion of offence. Though not immediately connected with the subject, there is one circumstance which I cannot forbear mentioning before I conclude. Mr. Benson, during the war, was considered as the confidential friend and adviser of the Governor. Not long after the peace, it was perceived that this relation between the two persons began to be weakened, and it is some time since it has been understood to have entirely ceased. The first appearance of the change was, to discerning

men, an ill omen of the future. But Benson was an unfit confidant for the new system of policy. He was honest and independent. Materials better adapted for *tools* were wanted, and they have been selected with admirable judgment.

Yours, with much regard,

H. G.

To ———, Esq., Suffolk County.

LETTER IV

NEW YORK, February 24, 1789.

You will perceive, my dear sir, from the sketch I have given you, that though the present Governor has a just title to credit for his exertions in the last revolution, yet the degree of credit to which he is entitled has been immodestly exaggerated. It is to be wished, nevertheless, for the honor and interest of the State, that his administration since the peace was proportionably commendable. But with the close of the war, the scene of merit closes. All that succeeds is either negative or mischievous.

It may seem strange to some, that a man who had behaved well in one situation should be so entirely defective or faulty in another. But men acquainted with human nature and its history, on a large scale, will be sensible that there is nothing extraordinary in the thing. Many of those who have proved the worst scourges of society have, in the commencement of their career, been its brightest ornaments. These fair beginnings are sometimes the effect of premeditation, to pave the way to future mischief; at other

times, they are the natural result of a mixed character, placed in favorable circumstances.

In all struggles for liberty, the leaders of the people have fallen under two principal discriminations; those who, to a conviction of the real usefulness of civil liberty, join a sincere attachment to the public good, and those who are of restless and turbulent spirit, impatient of control, and averse to all power or superiority which they do not themselves enjoy. With men of the latter description, this transition from demagogues to despots is neither difficult nor uncommon.

Mr. Clinton, as a zealous advocate for American independence in the course of a war, in which the cause to which he was attached was every moment exposed to the most critical hazards, under the influence of a sense of continual danger to that cause, and of course to himself, as one of its supporters, was naturally led to activity and exertion. But such a situation affords a very partial and imperfect view of his character. No certain conclusion can be drawn from it of the general disposition and principles of the man. These can only be estimated with certainty in situations in which the passions have their natural and ordinary course, free from any violent impulse of any kind.

It is therefore in the peace-administration of Mr. Clinton, that we may expect to find the best materials for judging of his fitness or unfitness to govern. These I shall endeavor to explore in some succeeding letters, concluding the present with this general observation: *I do not recollect a single*

measure of public utility, since the peace, for which the State is indebted to its Chief Magistrate.

Yours, with sincere regard,

H. G.

To ———, Esq., Suffolk County.

LETTER V

New York, February 25, 1789.

Dear Sir:

In yours of the 23d instant, which has just come to hand, you observe that there are persons in your county who entertain favorable impressions of the present Governor, for the good order preserved in this city upon the evacuation by the British troops, and which you say is ascribed to his moderation, care, and decision. This is an idea not confined to your county. Mr. Clinton and his friends have had the address to disseminate it in this and in other parts of the district. The apprehensions excited by some imflammatory publications, prior to our taking possession of the city, disposed men's minds to regard it as a great merit in the Executive, that they were not subjected to general plunder and massacre. But this compliment to him includes a supposition of licentiousness and fury in the citizens in general, who returned within the district at that period, which they do not deserve, and which, in truth, form no part of the American character.

It must be confessed that there were a few violent men, and that these, for the sake of present consequence, endeavored to work on the passions of others

for intemperate purposes. But the number of those who were inclined to violate the laws, or disturb the public peace, was at no time considerable enough to make the danger serious. The greater part were either for liberal and moderate measures, or, at worst, for some legislative discriminations. It is worthy of remark, that some of the most heated have been, at all times, warm adherents to the Governor, and objects of his peculiar patronage.

What was the precise line of conduct pursued by his Excellency at the juncture in question, I have never been able clearly to ascertain. But to many, and to me among the rest, it appeared indecisive and temporizing, favoring more of artifice and duplicity than of real prudence or energy. A popular Chief Magistrate, as Mr. Clinton then certainly was, standing on the firm ground of national faith and the constitution, by an independent use of his influence, might, in all probability, have prevented some measures of that day which have been both injurious and disreputable to the State.

The inclination of the Governor to hinder tumult or commotion is not to be questioned. In his situation, a man must have been both abandoned and mad not to have had that inclination. Regard to his own authority and consequence, independent of other motives, was sufficient to produce it. But there are circumstances which warrant a conclusion, that he had formed a plan of building up his own popularity in the city upon that of certain individuals who were then advocates for persecution; not, indeed, in the shape of mobs and riots, but of *law;*

by banishment, disfranchisement, and the like; and that his conduct was guided by condescensions to them, which, in some measure, involved him in their policy. There is a fact to this effect, the particulars of which I do not now distinctly recollect, but which, as far as my memory serves me, was of the following complexion:—The council appointed for the temporary government of the southern district on account of some irregularities which had happened, passed a resolution, or framed a proclamation, for repressing the spirit that had occasioned them, which was intrusted to the Governor for publication. Instead, however, of executing the intention of the council, he communicated their act to two of the persons alluded to, and, upon their advices or remonstrances, withheld it from publication till the next meeting of the council, a majority of whom were then prevailed upon to rescind it.

It is not undeserving of attention, that the chief agents in promoting the laws passed after the evacuation of the city, of which the inhabitants of the southern district had reason to complain, were men who had been constantly devoted to the Governor; and that the persons who have had the greatest share in mitigating or abrogating those exceptiona laws have been in opposite views to him. And it ought not to escape observation, that there has never been any official act of the Governor calculated to effect the alteration or repeal of those laws.

It is with reluctance, my dear sir, that I look back to transactions which cannot be too soon forgotten

All parties now rejoice in the effects of a more liberal policy. And I should not have been induced to revive topics of so disagreeable a nature, had it not been necessary as well to the advancement of truth as to the performance of my promise to you.

I remain your friend and servant,

H. G.

To ———, Esq., Suffolk County.

LETTER VI

NEW YORK, February 26, 1789.

DEAR SIR:

I shall now proceed to give you a brief history of the Governor's administration since the peace, as it respects the United States, from the whole of which, preferring the evidence of *actions* to that of *professions*, I am persuaded that you will agree with me, that there is satisfactory proof of his being an enemy to the AMERICAN UNION.

The facts from which I shall draw this conclusion are of the following nature:

I. That while he has acknowledged the insufficiency of the old government, he has strenuously opposed the principal measures devised by the joint councils of America for supporting and strengthening it.

II. That he has treated Congress, as a body, in a contemptuous manner.

III. That his behavior towards the individuals composing that body has been of a nature calculated to give them just cause of disgust.

IV. That he disapproved of the very first step taken toward the effectual amendment of the old confederation.

V. That he prejudged and condemned the new Constitution before it was framed.

VI. That he opposed it, after it appeared, with unreasonable obstinacy.

VII. That he has continued his opposition to it even since its adoption by this State. And,

VIII. That he is unfriendly to the residence of Congress in this city.

From the assemblage of these facts, I am mistaken, my dear sir, if you do not think the evidence of his enmity to the Union complete; and I shall not be the less mistaken if you do not consider this as a conclusive objection to his re-election.

Whatever may have been your doubts respecting parts of the new Constitution, I am satisfied that you regard the preservation of the UNION as essential to the peace and prosperity of the country, and will deem it unsafe to trust any man with power, who entertains views inimical to it.

Unfeignedly yours,

H. G.

To ———, Esq., Suffolk County.

LETTER VII

NEW YORK, February 27, 1789.

DEAR SIR:

In my last I stated a number of facts tending to prove that Mr. Clinton is not a friend of the *Union*.

I would not be understood that either of these facts singly would authorize such a conclusion, but that it is the result of them collectively. Many men, of whose good intentions I have no doubt, have entertained similar sentiments with him on several of the points stated; but I am mistaken if there is to be found one, out of the circle of his immediate instruments, who has had or discovered the same disposition in all the particulars. I shall now briefly mention the different articles of charge.

The first is, that, while he has acknowledged the insufficiency of the old government, he has strenuously opposed the principal measures devised by the joint councils of America for supporting and strengthening it.

This admission of the insufficiency of the old confederation has not only been made in private conversations, but fully and pointedly in the late convention of this State. He has not, however, uniformly held the same language, as will be taken notice of hereafter.

To prove the latter part of the charge, I shall instance his opposition to the impost system proposed by Congress, and repeatedly urged by them as the only measure to obtain revenue, for objects of indispensable importance, on which reliance could be placed.

The first idea of a general impost for the benefit of the United States is said to have originated in a convention held at Hartford, consisting of deputies from the four New England States and from New York. The measure was agreed upon in Congress

in February, 1781, at a period when the United States, after various trials of requisitions and of other expedients, were reduced to the utmost extremity of distress for want of money to carry on the war. The impost then proposed was, I believe, granted by all the States except Rhode Island. The act of this State, passed 19th of March, 1781, expressly provides, that the duties granted to Congress "*should be levied and collected in such manner and form, and under such pains, penalties, and regulations, and by such officers, as Congress should from time to time make, order, direct, and appoint.*"

But, on the appearance of peace, the system of our policy changed. The foregoing act was repealed by one passed the 15th of March, 1783, by which it was too apparent that the leaders of our councils, at the first dawn of peace, were resolved to desert the principles which had governed them in the time of common danger.

It is true, that the same act grants the duties anew, but to be collected by the officers and under the authority of the State; which was so essential an alteration of the plan as would have rendered it necessary (had not the opposition of Rhode Island already done so) to recommence the business in a new form, in order that all the States might stand on an equal footing.

I remain, dear sir,

Your obedient and humble servant,

H. G.

To ———, Esq., Suffolk County.

LETTER VIII

NEW YORK, February 28, 1789.

DEAR SIR:

The embarrassments experienced in carrying through the first plan, the increase of the national debt, and other circumstances, induced Congress to devise a new system of impost, which was finally agreed upon on the 18th of April, 1783.

In this system, the appointment of the officers to collect the duties was referred to the several States, which it was supposed would remove the principal objection to the former plan. All the States, except New York, substantially adopted it, annexing certain precautions for the more secure exercise of the powers granted to Congress. But New York persisted to the last in withholding her assent. She passed, indeed, a law for granting an impost on different principles; but as Congress could not accept this without releasing the other States, and setting the whole business afloat, it was evident to all the world that the act of New York was nothing better than a mere evasion of the thing asked.

The Governor, undoubtedly, took an active part in opposition to this measure. It is true, he declared in the convention that he had always been a friend to the impost, but *could not agree* to the manner in which Congress proposed to exercise the power. This is plainly a subterfuge. He was a friend to an abstract something, which might be any thing or nothing, as he pleased; but he was an enemy to *the thing proposed.* A general impost, being a measure not within the provision of the

confederation, could only be brought about by some general plan devised by the common councils of the UNION, and submitted to the adoption of the several States. There could else be no concert, no common agreement. To oppose, therefore, the specific plan offered, and yet pretend to be a friend to the thing in the abstract, deserves no better name than that of hypocrisy.

I am possessed of unquestionable evidence, to prove that he used personal influence with members of the Legislature to prejudice them against the granting of the impost. You may obtain a confirmation of this from one of the gentlemen who represented your own county in the year 1786. The argument employed with him was, that Congress being a single body, and consequently without checks, would be apt to misapply the money arising from it. This looks like more than an objection to the mode. If the money was to be granted in any shape, that consequence, if to be apprehended at all, might follow.

A question of a very delicate and serious nature arises on the conduct of the Governor. Is it justifiable in the Chief Magistrate of a State to employ his personal influence with individual members of the Legislature in relation to any matter of public concern which is to come under their deliberation? To me an interference of this sort appears highly exceptionable.

With sincere regard, I am, dear sir,

Your most obedient servant, H. G.

To ———, Esq., Suffolk County.

LETTER IX

NEW YORK, March 2, 1789.

DEAR SIR:

The second particular which I have stated, as evidence of Mr. Clinton's enmity to the Union, is, that he has treated Congress, as a body, in a contemptuous manner.

A proof of this exists in his refusal to convene the Legislature of this State in the year 1786, upon pressing and repeated supplications of Congress; sheltering himself under the frivolous pretence that the constitution did not leave him at liberty to do it.

The constitution empowers the governor to convene the Legislature "on extraordinary occasions." This provision is evidently calculated to enable him to call together the Legislature whenever any thing of importance out of the ordinary routine of State business should occur. To put any other meaning upon it is absurd, and would embarrass the operations of government. It cannot be supposed that the constitution intended by "extraordinary occasions" nothing but wars, rebellions, plagues, or earthquakes. The word "extraordinary," as used in this case, can only be construed as equivalent to *special;* and a special occasion is any thing of moment out of the common and expected course. It merits attention, that the words of the constitution are, simply, that the governor "shall have *power* to convene the Legislature upon extraordinary occasions." This mode of expression has plainly an *authorizing* and *empowering*, not a *restricting* operation. It is true that the governor is bound, in the

exercise of this power, to observe a reasonable discretion, and not to act with caprice, levity, or wantonness; but the same may be said of every other power with which he is intrusted, and does not affect the constitutional sense of the provision.

Let us now, sir, take a view of the nature of the application and refusal. The Legislature of the State, in May, 1786, passed the act I have already mentioned, in lieu of one conformable to the *plan proposed* by Congress, and *agreed* to by the other twelve States; for even Rhode Island had at length got the better of her scruples. Congress were of opinion, for the most obvious and solid reasons, that they could derive no advantage from the act of New York; that to attempt it would be to let go their hold on the twelve adopting States, who had made the passing of similar acts by all the States the condition of their grants; that the act of New York, independent of the objection just mentioned, was framed upon principles mischievous in their nature, and calculated not only in a great measure to defeat the revenue, but to prevent several of the States from entering into the plan. One of these principles was, that the paper-money of the States should be receivable in payment of duties. If Congress had acceded to such a plan, the consequence would have been that the other States which had emitted paper-money would insist upon the same privilege; by which means the duties would be paid in nominal money of different degrees of value, in some States at a depreciation of forty or fifty per cent.; a circumstance which would have diminished

the product of the impost, rendered the burthen unequal upon the citizens of different States, and deterred the States averse to paper-money from engaging in the scheme.

Congress, for these and other good reasons, considered the act of New York as amounting to nothing. They felt at the same time that the honor and interest of the Union were suffering for want of the co-operation of this State. They experienced the most painful embarrassment, in particular, from the just demands of those foreigners who had lent us money to carry on the war. They saw themselves without resource even for paying the interest of the foreign debt, except by new loans abroad for that purpose,—a resource which had the pernicious effect of an accumulation of the debt (for which all our estates must be considered as mortgaged) by the tremendous process of compound interest.

In this disgraceful and ruinous situation, the representatives of the United States make a solemn application to the Governor to convene the Legislature for the purpose of reconsidering the act. He refuses to comply, assigning the curious reason that the constitution empowers him to convene the Legislature only on extraordinary occasions, and that the present does not seem to him such. To give color to this idea, he intimates the recent consideration of the business by the Legislature.

He seems in this proceeding not only to have taken it for granted that the Legislature would be immovable by the most solid reasons for altering their policy (which, if true, he had no right to

presume), but also to have forgotten, or not to have chosen to recollect, that the Legislature to be convened was not to be regarded as the same body which had before decided, having been formed by a subsequent election of the people. The measure would, therefore, have had to undergo a new examination by a new body.

He, notwithstanding, refuses. Congress, impelled by the exigency of the situation, pass new resolutions, declaring their opinion that the critical and embarrassed situation of the finances of the United States required that the system of impost should be carried into immediate effect, and that they deemed the occasion sufficiently important and extraordinary to request that the Legislature of this State should be convened, and therefore again earnestly recommending it to the Executive to convene the Legislature. The Governor persisted in his refusal, and the Legislature is not convened.

Now, sir, I will boldly appeal to every candid mind whether this transaction is not evidence, as well of a splenetic and disrespectful disposition toward the government of the United States, as of a temper inflexibly haughty and obstinate. In what a humiliating light must he have considered Congress, not to have looked upon their earnest and repeated application on a matter which they and all the other States, thought of the most serious moment to the Union, in a situation notoriously distressing and critical, as an occasion sufficiently special to leave him *at liberty* to call the Legislature together! How much of contempt and disregard

toward the representative authority of confederated America was implied in such a construction! The merits of the impost system are of no consequence in the consideration of the subject. The whole is a question of decorum and due deference in the head of a particular member of the confederacy toward the head of the whole confederacy. In this light, it is evident that the conduct of the Governor on the occasion was an insult to the people of the United States, and of course to the people of this State, through their representatives in Congress.

I remain with the truest attachment, dear sir,
Your obedient and humble servant,
H—— G——.

To ———, Esq., Suffolk County.

LETTER X

New York, March 3, 1789.

Dear Sir:

I have mentioned as a third circumstance tending to prove the enmity of the Governor to the *Union*, "that his behavior toward the individuals composing Congress has been of a nature calculated to give them just cause of disgust."

I am well informed that his Excellency never made a visit to, or had any intercourse of civilities with, either of the two last Presidents of Congress. This neglect on his part appears the more pointed, as it is well known that he had been upon a footing of intimacy with one of the gentlemen previous to his appointment—I mean General St. Clair. This

gentleman had been heard to lament that the Governor's conduct toward him, in an official respect, had put it out of his power to keep up the amicable intercourse which had formerly subsisted between them. It seems as if the character of a President of Congress amounted, in the Governor's estimation, to a forfeiture even of the rights of private friendship.

This behavior to the official head of Congress is to be regarded in a stronger light than mere disrespect to the individual. It may justly be esteemed disrespect to the body themselves, and to have been dictated by a disposition to humiliate the government which they administered.

The same spirit ran through the Governor's conduct toward the members of Congress in general. Very few, if any of them, experienced any attentions whatever from him.

Whatever apology may be made for the Governor's want of decent hospitality toward the representatives of the United States, I believe it will be difficult to find an excuse for his personal neglect of them. There are civilities which cost nothing, and these might have been bestowed without any violation of the frugality of his Excellency's maxims.

It may be asked how it can be determined where the fault lay, whether with the Governor, or with the individuals of Congress. I answer, that with regard to the Presidents of Congress, there can be no doubt. As that body sat in the State, it was unquestionably the duty of the Governor to pay the first attentions to the President after his election.

This rule has been understood throughout America, and its propriety is self-evident. The omitting to pay those attentions was a mark of disregard to the government of the Union, for which there can be no excuse, and which admits of but one interpretation.

Dear sir,

Yours sincerely, etc.,

H—— G——.

To ———, Esq., Suffolk County.

LETTER XI

NEW YORK, March 4, 1789.

DEAR SIR:

Some time in the latter part of the year 1785, or beginning of 1786, the State of Virginia proposed the holding of a convention for the purpose of devising some system of commercial regulations for the United States. This State, among others, acceded to the proposition, and the deputies from the different States appointed pursuant, met at Annapolis in the fall of 1786. But the number actually assembled formed so incomplete a representation of the Union, that, if there had been no other reason, it would have been inexpedient for them to proceed in the execution of their mission. In addition to this, they were unanimously of opinion that some more radical reform was necessary; and that even to accomplish the immediate end for which they had been deputed, certain collateral changes in the federal system would be requisite, to which their powers in general could not be deemed competent. Under

these impressions, they, with one voice, earnestly recommended it to the several States to appoint deputies to meet in convention, in the ensuing month of May, with power to revise the confederation at large, and to propose such alterations and amendments as should appear to them necessary to render it adequate to the exigencies of the Union.

The report of this convention was in course handed to the Governor, on the return of the deputies of this State from Annapolis.

I have ascertained it beyond a doubt that, in a conversation on the subject of this report, he expressed a strong dislike of its object, declaring that, in his opinion, no such reform as the report contemplated was necessary; that the confederation as it stood was equal to the purposes of the Union, or, with little alteration, could be made so; and that he thought the deputies assembled upon that occasion would have done better to have confined themselves to the purposes of their errand.

This was the first thing that gave me a decisive impression of the insincerity of his Excellency's former conduct. The opponents of the impost system had, in their writings and conversation, held up the organization of Congress as a principal objection to the grant of power required by that system. The same sentiment had been conveyed by the Governor. The want of checks from the constitution of Congress, as a single body, seemed to be the bulwark of the opposition. But now that a proposal was made which evidently had in view a different construction of the Federal Government, the

language was all at once changed. The old confederation as it stood, or with little alteration, was deemed to be competent to the ends of the Union.

This, then, seemed to be the true state of the business. On the one hand, Congress, *as constituted*, was not fit to be trusted with power; on the other, it was not expedient to *constitute them differently*. To me it appears impossible to reconcile all this to a sincere attachment to an *efficient Federal Government*. Thus, sir, have I explained to you my meaning in the assertion: that the Governor disapproved of the very first step taken toward the effectual amendment of the old confederation.

I remain with esteem, dear sir,

Your very humble servant,

H. G.

To ———, Esq., Suffolk County.

LETTER XII

New York, March 6, 1789.

Dear Sir:

One of the circumstances stated to you in mine of the 26th of February, to show that the Governor is unfriendly to the *Union*, is, that he prejudged and condemned the new Constitution before it was framed.

This fact has been long since given to the public, to which no other answer, that I have heard, has been made by his Excellency or his friends than that he, as a citizen, had a right to entertain and declare such sentiments as appeared to him proper.

This is a position not to be denied; but it is equally undeniable that his constituents have as good a right to judge of the propriety of his opinions and conduct, and of the views by which they seem to be actuated.

While the convention was sitting at Philadelphia, the Governor, I am well informed, made unreserved declarations of his opinion, that no good was to be expected from the appointment or deliberations of that body. That the most likely result was, that the country would be thrown into confusion by the measure. That it was by no means a necessary one, as the confederation had not had a sufficient trial, and probably, on more full experiment, would be found to answer all the purposes of the Union.

Here we shall discover the clearest indication of a predetermined opposition in the mind of his Excellency. He is not a man governed in ordinary cases by sudden impulse. Though of an irritable temper, when not under the immediate influence of irritation he is circumspect and guarded; and seldom acts or speaks without premeditation and design.

Language of the kind I have mentioned, from him, clearly betrayed an intention to excite prejudices beforehand against whatever plan should be proposed by the convention. For such conduct, or for such an intention, no apology can be made. The United States conceived a convention to be proper, necessary, and expedient. They appointed one, this State concurring. Their deputies were actually assembled, and in deliberation. The step once taken, it became the duty of every good man to give the

attempt a fair chance. It was criminal to endeavor to raise prepossessions against it. That very conduct might have led to the mischief predicted. It was certainly not his Excellency's fault that his predictions were not fulfilled. In all probability, if his whole party had been as pertinacious as himself, the confusion he foretold would now exist. But, happily for the United States, some of them were more prudent, and we are in peace.

The declarations of the Governor on this occasion fix upon him the charge of inconsistency. How can what he said in the instance in question be reconciled with his declaration in the convention, "*that he had always lamented the feebleness of the confederation*"?

Yours, with great regard,

H—— G——.

To ———, Esq., Suffolk County.

LETTER XIII

March 7, 1789.

DEAR SIR:

The next in order of the circumstances alleged in proof of the unfriendly disposition of the Governor to the Union, is that he opposed the new Constitution, after it appeared, with unreasonable *obstinacy*.

To judge of the propriety of this observation, it ought to be recollected, that the merits or demerits of that Constitution must, after all, be in a great measure a speculative question, which experience only can solve with *certainty*.

It ought also to be recollected that the convention who framed it consisted, if not wholly, at least generally, of men from whom America had received the strongest proofs of patriotism and ability; that this body, so composed (with the exception of only three individuals), united in the plan, which was the result of their joint deliberations; and that a Franklin and a Washington are among the number of those who gave their approbation to it.

It ought further to be attended to, that when the convention of this State came to a decision, ten out of the thirteen States *had adopted* the Constitution, and that a *majority* of the characters in each State, most distinguished for virtue and *wisdom*, were among its advocates.

These, sir, are *truths* which (notwithstanding the clandestine arts made use of to traduce some of the best and brightest characters of America for being friends to the Constitution) no man of candor or information among its opponents will deny.

I do not infer from them that the Constitution ought on those accounts to have been considered as a good one; but I contend that they dictated greater moderation in the opposition than appeared in the Governor's conduct. They ought to have taught him, that unless he had better assurance of his own infallibility than an impartial estimate of himself would justify, there was a possibility of his being mistaken in his *speculations;* and that as a further resistance to the general sense of America was pregnant with manifest inconveniences and

hazards, it became him to sacrifice the pride of opinion to a spirit of accommodation.

I should be the last to blame any man for opposing the adoption of the Constitution while its establishment was yet a question in the United States; but when that was no longer the case; when nine States, the number required by the Constitution to its establishment, had adopted it; when it had thereby become the government of the Union, I think further opposition was not justifiable by any motives of prudence or patriotism. These considerations had their proper weight with a great proportion of the Governor's party.

Out of sixty-four members, of which the Convention of this State consisted, there were at first only nineteen in favor of the Constitution. In the conclusion, there was a majority which did actually adopt it. But the Governor *persisted to the last in his negative*.

All those of his party who concurred in the adoption (and among whom were some of its ablest leaders), are to be regarded as so many witnesses to the unreasonable obstinacy of the Governor's conduct on the occasion. Why did they agree to adopt? Because they saw that a contrary course was replete with danger to the peace and welfare of this State and of the Union. They acted in that like moderate and prudent men. Why did not his Excellency act a similar part? Let facts decide! Let the collective complexion of his language and behavior inform us! The inference from the whole will certainly not exempt him from the imputation

of obstinacy, nor give us a very favorable impression of his inclination to preserve the tranquillity and UNION of the States.

I entertain no doubt that your judgment of this instance of the Governor's conduct will correspond with mine, as I have understood that the conduct of the members of your county had met your entire approbation. These gentlemen are among the number of those who, though, like yourself, not attached in the abstract to the Constitution as it stands, prudently yielded to the considerations of expediency which recommended its adoption.

Accept my best wishes for your health, and

Believe me always yours,

H—— G——.

To ———, Esq., Suffolk County.

LETTER XIV

March 8, 1789.

DEAR SIR:

The seventh of the circumstances enumerated in proof of his Excellency's enmity to the Union is, that he has continued his opposition to the new Constitution even since its adoption by this State.

There are two kinds of opposition, direct and indirect. The Governor must have been an idiot to have rendered himself chargeable with the first kind. It would have brought the resentment of the whole community upon him, and frustrated the very object he had in view. Indirect methods were the only ones that could be practised with safety, or with any

prospect of success. To embarrass, not to defeat, the operations of the government, was, of necessity, the plan of a man who wished ill to it.

The adversaries of the Constitution in Virginia have furnished a striking specimen of this species of policy. The last Legislature, in which they were predominant, made no difficulty about organizing the government. The act of the people was, of course, to be obeyed in appearance. But its efficacy was to be destroyed by throwing obstacles in the way of the administration of the system. For this purpose an act has been passed, declaring it incompatible for any officer of the State to perform official functions under the authority of the United States.

This act, *if valid*, would *oblige* the United States to have a complete set of officers for every branch of the national business—judges, justices of the peace, sheriffs, jail-keepers, constables, etc.,—which could not fail to render the government odious. This may serve as a sample of the means by which it may be distressed and counteracted.

The friends of the Governor tell us that after the adoption of the Constitution he declared in convention that he would conceive himself bound to maintain the public peace, and to concur in putting the system *into operation*. This was saying as little as possible. Luckily, the public peace was in no danger; and his Excellency, with all his hardihood, would not dare to refuse an official co-operation in putting the government established by the people in *motion*. I attended the debates of the convention, and I could not forbear remarking that the *Governor*,

in the speech alluded to, seemed carefully to confine his assurances to a mere *official compliance*. The impression made upon my mind by the *two* last speeches he delivered was this: that he would, as Governor of the State, in mere official transactions, *conform* to the Constitution; but that he should think it expedient to keep alive the spirit of opposition in the people, until the *amendments proposed*, or another convention (I am not certain which), could be obtained. In this impression I am not singular; there were others who understood him in the same sense.

No reasonable man can doubt that such a sentiment was an unjustifiable one. The United States are to determine on the propriety of amendments, and on the expediency of a convention. Both must be referred to their judgment. If they think both improper or unnecessary, it is the duty of a particular member to acquiesce. This is the fundamental principle of the social compact. To threaten the continuance of an opposition, therefore, till either of those purposes was accomplished, was in every way intemperate and unwarrantable. That there will be a reconsideration of parts of the system, and that certain amendments will be made, I devoutly wish and confidently expect. I have no doubt that the system is susceptible of improvement, and I anxiously desire that every prudent means may be used to conciliate the honest opponents of it. But I reprobate the idea of keeping up an opposition upon principles which derogate from those on which it is, and must necessarily be, sup-

ported. I reprobate the idea of one State giving law to the rest.

But even the official compliance promised by the Governor has hitherto been afforded in a very ungracious and exceptionable manner; in such a manner as indicates secret hostility and a disposition to have the government considered in an unimportant and inferior light. On the 13th of September, 1788, the act for organizing the government was passed by Congress, and it is presumed was communicated without delay. We know that it immediately appeared in the public papers. But it was not until the 13th of October following, that the Governor issued his proclamation for convening the Legislature, and the time appointed for their meeting was less than a month from that which was fixed for the appointment of electors to choose the President and Vice-President. This procrastination appeared at a time extraordinary to everybody, and wore the aspect of *slight* and *neglect* at least. The Governor asserts that it was impracticable to convene the Legislature sooner; but he has not told us why it was so; and I scruple not to affirm, that if a reason is ever assigned, it will be found so flimsy a one, as to discover the insignificant light in which his Excellency was disposed to view and treat the National Government. *Neglect* and *slights* calculated to lessen the opinion of the importance of a thing, and bring it into discredit, are often the most successful weapons by which it can be attacked.

But this is not the only view in which the delay in convening the Legislature is to be considered as

reprehensible. It had the effect of depriving the Legislature itself of the exercise of a right vested in them by the national Constitution, and hazarded an undue postponement of our representation in Congress, which has actually happened. As to the first, the Constitution of the United States leaves the mode of appointing ELECTORS to the discretion of State Legislatures. They may, therefore, refer them to the choice of the people, if they think proper. This has been done in several of the States, and is, in my opinion, a privilege which it is of great importance should be in the hands of the people. Making the usual allowances for want of punctuality in meeting, disagreement in opinion, difficulties in framing new and untried regulations, it may be safely pronounced that the Legislature was assembled too late to refer the choice of electors to the people; whereby they were deprived of an opportunity of exercising a constitutional discretion, and *the people* of a chance of exercising a privilege of very considerable moment to their interests. May it not be justly said, in this instance, that the Governor UNDERTOOK TO THINK for the Legislature? But this is not all. The state of the parties in the Legislature was understood long before they met, and it was to have been foreseen that there would have been a diversity of views in regard to the mode of appointing our national representatives, and consequently delays in agreeing upon any. By not calling the Legislature early enough to allow time for overcoming these impediments, it happens, that in a matter in which the two Houses did finally

agree, to wit, the manner of choosing members of the national House of Representatives, the execution has been so greatly procrastinated, that it must be more than a month from the time appointed for the meeting of the body before it can be even ascertained who our representatives are.

There is a further circumstance in which the Governor's conduct subjects him to the suspicion of an intention to embarrass the measures relating to the Constitution.

The Senate having, in very gentle terms, intimated a wish that the Legislature had been more early convened, the Governor, in a very petulant and indecent reply, considering that it was the Executive speaking to a branch of the Legislature, made himself a party on the side of the Assembly in the controversy between the two Houses, and thereby furnished a motive of obstinacy to the one and of irritation to the other. It is well known that, in that controversy, one of the reasons on which the Assembly had chiefly relied in insisting upon the joint ballot was, that it *approached more nearly to an election by the people;* while the Senate held that they were entitled to an equal voice, and that, as being the *peculiar representative*, by our Constitution, of the *great body of the freeholders*, they were bound, by a regard to the interests of that class, as well as to their own rights as a branch of the Legislature, to insist upon the equality they claimed.

The Senate in their speech had observed that, if there had been time, they would have been for referring the choice of electors to the people. The

Governor answers, that it was impracticable to convene the Legislature in time for that object, and intimates a persuasion that the Senate will see the propriety of pursuing their principle, as far as circumstances would permit, by adopting such mode of appointment as should appear *most nearly to approach an election by the people*, adverting to the ground which had been taken by the majority in the Assembly. This intimation of the Governor could not be understood in any other light than as advocating their principle, and could not have failed to have had the effect of confirming them in it, and alienating the Senate, who were indelicately treated, still more from it. There are circumstances which render a hint as intelligible as the most precise and positive expressions.

This species of interference in a question between the two branches of the Legislature was very unbecoming in the Chief Magistrate, and bespoke much more the intemperate partisan than the temperate arbiter of differences prejudicial to the State.

And the inference from the whole of what I have stated is, that the Governor, since the adoption of the Constitution in this State, has manifested the *reverse* of a disposition to afford it a cordial support.

I remain, with great regard,

Yours, etc.,

H. G.

To ———, Esq., Suffolk County.

LETTER XV

March 9, 1789.

DEAR SIR:

The last of the circumstances mentioned by me in my letter of the 20th of February, as evincive of the inimical disposition of the Governor toward the Union, is, that he is unfriendly to the residence of Congress in this city.

This may be inferred from the disrespectful manner in which he has treated that honorable body, aggregately and individually, as detailed in some former letters; and from his fomenting that spirit of party in the Legislature which has left us without a representation in Congress.

But the matter does not rest on this evidence only. I have direct proof that he has held language clearly indicating an opinion in him, real or affected, that it was a disadvantage to the State to have the seat of the Federal Government in it. His objections have been drawn from its pretended tendency to promote luxury and dissipation. He has, I am well informed, talked in this style, among others, to our friend, Judge ——, of —— County, with some circumstances of aggravation, which, from a regard to decency, I forbear to repeat.

Now, my dear sir, nothing but a rooted hostility to all federal government could have dictated this sentiment in the breast of the Governor. Every man of sense knows that the residence of Congress among us has been a considerable source of wealth to the State; and as to the idle tale of its promoting luxury and dissipation, I believe there has not been

for a number of years past a period of greater frugality than that in which Congress have resided in this city. As far as my observation or information extends, it has made no sensible difference in the style of living, as to the article of expense. The truth must be, that the Governor has supposed that the presence of Congress in the State has had an influence in encouraging the zeal and exertions of the friends to federal government. Thus it appears that the whole system of thinking adopted by the Governor has been manifestly adverse to every thing connected with the Federal Government, and has led him to view all its concerns through a jaundiced medium.

To what can all this be attributed? To what can be ascribed the *regular* and *undeviating* opposition on his part to the measure devised by the joint council of America for strengthening and confirming the Union? How shall we explain the different and inconsistent grounds of opposition taken at different periods? To me, my dear sir, the collective view of his conduct will admit of no other supposition than that he has entertained a project for erecting a system of *State Power*, unconnected with, and in subversion of, the Union. This is my firm and sincere belief; founded upon a long and close attention to the secret and public proceedings of his Excellency. Some of the circumstances which have led to it, I am not at liberty to disclose, because I could not do it without a breach of confidence. Viewing in the light I do the conduct of the Governor, I consider it as a sacred duty which I owe to the country, to ad-

vise all those with whom I have any connection or intercourse, to promote a change. It is possible that the Governor, finding the execution of his schemes impracticable, may have abandoned them. But I conceive a man capable of adopting such views as too dangerous to be trusted at the head of the State. And I should hold it to be the extreme of credulity and weakness to confide in any assurances of amendment which his friends, to answer a present purpose, may be induced to give.

With unalterable regard,

I remain yours,

H. G.

To ———, Esq., Suffolk County.

LETTER XVI

April 9, 1789.

DEAR SIR:

In mine of the 25th of February last, I observed that there were reasons to conclude that the Governor's conduct, immediately after the evacuation of this city, had been influenced by considerations of those who were at the time advocates for persecution, which in some measure involved him in their policy; and in confirmation of this idea, I mentioned some circumstances, as they then presented themselves to my memory, which had attended the suppression of a proclamation issued by the council for the temporary government of the southern district, in consequence of certain irregularities committed in this city by some of the persons alluded to.[1]

[1] See the first address to the Albany Supervisors.

You have no doubt seen in the papers Mr. Willet's statement of this affair, and the correspondence which ensued between that gentleman and myself.

Pursuant to the assurance contained in my letter to Mr. Willet, I shall now disclose to you the result of the inquiries I have made. It has turned out as was to have been apprehended. Neither of the gentlemen to whom I have applied has a distinct recollection of particulars. One of them indeed recollects little more than that he was a good deal displeased with the transaction. The other has a perfect remembrance of some circumstances, though not of all. Among other things, he well recollects that he was much *dissatisfied* with the Governor's conduct in the affair, and that the impression which he had at the time was, and *constantly since* has been, that there had been on the part of the Governor an undue and improper acquiescence, at least, in the conduct of the persons concerned, in suspending the proclamation. But what the facts or appearances were which produced that impression have now, in a great measure, escaped his memory.[1]

Thus stands the affair. The investigation has not weakened in my mind the evidence that the circumstances attending the suppression of the proclamation were evincive of condescensions on the part of the Governor toward the advocates for persecution at the period in question, which in some manner involved him in their policy.

[1] Mr. Willet, by applying to the printer, may satisfy himself of the fairness of this representation and of the respectability of the authority on which it is founded.

This, by reference to my letter, you will perceive, was the sole purpose for which the transaction was quoted. I do not insist that the particulars as first stated are accurate. You will observe they are stated with hesitation and uncertainty; but I feel an entire conviction that the aggregate complexion of the affair was such as I have supposed it to be.

I remain with sincere regard,

Dear sir,

Your very humble servant,

H—— G——.

To ——, Esq., Suffolk County.

TAXATION AND FINANCE

TAXATION AND FINANCE

REPORT ON IMPOST DUTY

By the United States in Congress assembled, December 16, 1782.

THE Committee, consisting of Mr. Hamilton, Mr. Madison, and Mr. Fitzsimmons, to whom was referred the letter of the thirtieth of November, from the Honorable William Bradford, Speaker of the lower House of Assembly of the State of Rhode Island, containing, under three heads, the reasons of that State for refusing their compliance with the recommendation of Congress for a duty on imports and prize goods, report:

That they flatter themselves the State, on a reconsideration of the objections they have offered, with a candid attention to the arguments which stand in opposition to them, will be induced to retract their dissent, convinced that the measure is supported on the most solid grounds of equal justice, policy, and general utility. The following observations, contrasted with each head of the objections successively, will furnish a satisfactory answer to the whole.

First Objection.—"That the proposed duty would be unequal in its operation, bearing hardest upon the

most commercial States, and so would press peculiarly hard upon that State which draws its chief support from commerce."

The most common experience, joined to the concurrent opinions of the ablest commercial and political observers, have established, beyond controversy, this general principle: "That every duty on imports is incorporated with the price of the commodity, and ultimately paid by the consumer, with a profit on the duty itself as a compensation to the merchant for the advance of his money."

The merchant considers the duty demanded by the State on the imported article in the same light with freight or any similar charge, and, adding it to the original cost, calculates his profit on the aggregate sum. It may happen that, at particular conjunctures, where the markets are overstocked, and there is a competition among the sellers, this may not be practicable; but, in the general course of trade, the demand for consumption preponderates; and the merchant can with ease indemnify himself, and even obtain a profit on the advance. As a consumer, he pays his share of the duty, but it is no further a burthen upon him. The consequence of the principle laid down is that every class of the community bears its share of the duty in proportion to its consumption; which last is regulated by the comparative wealth of the respective classes, in conjunction with their habits of expense or frugality. The rich and luxurious pay in proportion to their riches and luxury; the poor and parsimonious, in proportion to their poverty and parsimony. A

chief excellence of this mode of revenue is that it preserves a just measure to the abilities of individuals, promotes frugality, and taxes extravagance. The same reasoning, in our situation, applies to the intercourse between two States: if one imports and the other does not, the latter must be supplied by the former. The duty, being transferred to the price of the commodity, is no more a charge on the importing State for what is consumed in the other, than it is a charge on the merchant for what is consumed by the farmer or artificer. Either State will only feel the burthen in a ratio to its consumption; and this will be in a ratio to its population and wealth. What happens between the different classes of the same community, internally, happens between the two States; and as the merchant, in the first case, so far from losing the duty himself, has a profit on the money he advances for that purpose, so the importing State, which, in the second case, is the merchant with respect to the other, is not only reimbursed by the non-importing State, but has a like benefit on the duty advanced.

It is, therefore, the reverse of a just position, that the duty imposed will bear hardest on the most commercial States; it will, if any thing, have a contrary effect, though not in a sufficient degree to justify an objection on the part of the non-importing States. For it is as reasonable that they should allow an advance on the duty paid as on the first cost, freight, or any incidental charge. They have also other advantages in the measure fully equivalent to this disadvantage. Overnice and minute

calculations, in matters of this nature, are inconsistent with national measures, and, in the imperfect state of human affairs, would stagnate all the operations of government. Absolute equality is not to be attained: to aim at it is pursuing a shadow at the expense of the substance; and, in the event, we should find ourselves wider of the mark than if, in the first instance, we were content to approach it with moderation.

Second Objection.—"That the recommendation proposes to introduce into that and the other States, officers unknown and unaccountable to them, and so is against the constitution of the State."

It is not to be presumed that the constitution of any State could mean to define and fix the precise numbers and descriptions of all officers to be permitted in the State, excluding the creation of any new ones, whatever might be the necessity derived from that variety of circumstances incident to all political institutions. The Legislature must always have a discretionary power of appointing officers, not expressly known to the constitution; and this power will include that of authorizing the Federal Government to make the appointments in cases where the general welfare may require it. The denial of this would prove too much: to wit, that the power given by the Confederation to Congress, to appoint all officers in the post-office, was illegal and unconstitutional.

The doctrine advanced by Rhode Island would, perhaps, prove also, that the Federal Government ought to have the appointment of no internal officers

whatever; a position that would defeat all the provisions of the Confederation, and all the purposes of the Union. The truth is that no Federal Constitution can exist without powers that, in their exercise, affect the internal police of the component members. It is equally true that no government can exist without a right to appoint officers for those purposes which proceed from, and concentrate in, itself; and therefore the Confederation has expressly declared that Congress shall have authority to appoint all such "civil officers as may be necessary for managing the general affairs of the United States under their direction." All that can be required is that the Federal Government confine its appointments to such as it is empowered to make by the original act of union, or by the subsequent consent of the parties. Unless there should be express words of exclusion in the constitution of a State, there can be no reason to doubt that it is within the compass of legislative discretion to communicate that authority.

The propriety of doing it upon the present occasion is founded on substantial reasons.

The measure proposed is a measure of necessity. Repeated experiments have shown that the revenue to be raised within these States is altogether inadequate to the public wants. The deficiency can only be supplied by loans. Our applications to the foreign powers, on whose friendship we depend, have had a success far short of our necessities. The next resource is to borrow from individuals. These will neither be actuated by generosity nor reasons of

State. 'T is to their interest alone we must appeal. To conciliate this, we must not only stipulate a proper compensation for what they lend, but we must give security for the performance. We must pledge an ascertained fund; simple and productive in its nature, general in its principle, and at the disposal of a single will. There can be little confidence in a security under the constant revisal of thirteen different deliberatives. It must, once for all, be defined and established on the faith of the States solemnly pledged to each other, and not revocable by any without a breach of the general compact.

It is by such expedients that nations, whose resources are understood, whose reputations and governments are erected on the foundation of ages, are enabled to obtain a solid and extensive credit. Would it be reasonable in us to hope for more easy terms, who have so recently assumed our rank among the nations? Is it not to be expected, that individuals will be cautious in lending their money to a people in our circumstances, and that they will at least require the best security we can give?

We have an enemy vigilant, intriguing, well acquainted with our defects and embarrassments. We may expect that he will make every effort to instil diffidences into individuals; and, in the present posture of our internal affairs, he will have too plausible ground on which to tread. Our necessities have obliged us to embrace measures, with respect to our public credit, calculated to inspire distrust. The prepossessions on this article must naturally be against us, and it is therefore indispensable we

should endeavor to remove them, by such means as will be the most obvious and striking.

It was with these views Congress determined on a general fund; and the one they have recommended must, upon a thorough examination, appear to have fewer inconveniences than any other.

It has been remarked, as an essential part of the plan, that the fund should depend on a single will. This will not be the case, unless the collection, as well as the appropriation, is under the control of the United States; for it is evident, that after the duty is agreed upon, it may, in a great measure, be defeated by an ineffectual mode of levying it. The United States have a common interest in a uniform and equally energetic collection; and not only policy, but justice to all the parts of the Union, designates the utility of lodging the power of making it where the interest is common. Without this, it might, in reality, operate as a very *unequal tax.*

Third Objection.—"That by granting to Congress a power to collect moneys from the commerce of these States, indefinitely as to time and quantity, and for the expenditure of which they are not to be accountable to the States, they would become independent of their constituents; and so the proposed impost is repugnant to the liberty of the United States."

Admitting the principle of this objection to be true, still it ought to have no weight in the present case, because there is no analogy between the principle and the fact.

Firstly. The fund proposed is sufficiently definite

as to time, because it is only co-extensive with the existence of the debt contracted, and to be contracted, in the course of war. Congress are persuaded that it is as remote from the intention of their constituents to perpetuate that debt, as to extinguish it at once by a faithless neglect of providing the means to fulfil the public engagements. Their ability to discharge it in a moderate time, can as little be doubted as their inclination; and the moment that debt ceases, the duty, so far as respects the present provision, ceases with it.

The resolution recommending the duty specifies the object of it to be the discharge of the principal and interest of the debts already contracted, or which may be contracted, on the faith of the United States, for supporting the present war.

Secondly. The rate per cent. is fixed; and it is not at the option of the United States to increase it. Though the product will vary according to the variations in trade, yet, as there is this limitation of the rate, it cannot be properly said to be indefinite as to quantity.

By the Confederation, Congress have an absolute discretion in determining the quantum of revenue requisite for the national expenditure. When this is done, nothing remains for the States, separately, but the mode of raising. No State can dispute the obligation to pay the sum demanded, without a breach of the Confederation; and when the money comes into the treasury, the appropriation is the exclusive province of the Federal Government. This provision of the Confederation (without which it

would be an empty form) comprehends in it the principle, in its fullest latitude, which the objection under consideration treats as repugnant to the liberty of the United States,—to wit, an indefinite power of prescribing the quantity of money to be raised, and of appropriating it when raised.

If it be said that the States, individually, having the collection in their own hands, may refuse a compliance with exorbitant demands, the Confederation will answer, that this is a point of which they have no constitutional liberty to judge. Such a refusal would be an exertion of power, not of right; and the same power which could disregard a requisition made on the authority of the Confederation, might at any time arrest the collection of the duty.

The same kind of responsibility which exists with respect to the expenditure of money furnished in the forms hitherto practised, would be equally applicable to the revenue from the imports.

The truth is, the security intended to the general liberty in the Confederation consists in the frequent election, and in the rotation, of the members of Congress, by which there is a constant and an effectual check upon them. This is the security which the people in every State enjoy against the usurpations of their internal governments; and it is the true source of security in a representative republic. The government, so constituted, ought to have the means necessary to answer the end of its institution. By weakening its hands too much, it may be rendered incapable of providing for the interior harmony or the exterior defence of the State.

The measure in question, if not within the letter, is within the spirit, of the Confederation. Congress, by that, are empowered to borrow money for the use of the United States; and, by implication, to concert the means necessary to accomplish the end. But without insisting upon this argument, if the Confederation has not made proper provision for the exigencies of the States, it will be at all times the duty of Congress to suggest further provisions; and when their proposals are submitted to the unanimous consent of the States, they can never be charged with exceeding the bounds of their trust. Such a consent is the basis and sanction of the Confederation, which expressly, in the thirteenth article, empowers Congress to agree to, and propose, such additional provision.

The remarks hitherto made have had reference, principally, to the future prosecution of the war. There still remains an interesting light in which the subject ought to be viewed.

The United States have already contracted a debt in Europe and in this country, for which their faith is pledged. The capital of this debt can only be discharged by degrees; but a fund for this purpose, and for paying the interest annually, on every principle of policy and justice, ought to be provided. The omission will be the deepest ingratitude and cruelty to a large number of meritorious individuals, who, in the most critical periods of the war, have adventured their fortunes in support of our independence. It would stamp the national character with indelible disgrace.

An annual provision for the purpose will be too precarious. If its continuance and application were certain, it would not afford complete relief. With many, the regular payment of interest by occasional grants would suffice; but with many more it would not. These want the use of the principal itself; and they have a right to it; but since it is not in our power to pay off the principal, the next expedient is to fund the debt, and render the evidences of it negotiable.

Besides the advantage to individuals from this arrangement, the active stock of the nation would be increased by the whole amount of the domestic debt, and of course the abilities of the community to contribute to the public wants; the national credit would revive, and stand hereafter on a secure basis.

This was another object of the proposed duty.

If it be conceded that a similar fund is necessary, it can hardly be disputed that the one recommended is the most eligible. It has been already shown that it affects all parts of the community in proportion to their consumption, and has therefore the best pretensions to equality. It is the most agreeable tax to the people that can be imposed, because it is paid insensibly, and seems to be voluntary.

It may, perhaps, be imagined that it is unfavorable to commerce; but the contrary can easily be demonstrated. It has been seen that it does not diminish the profit of the merchant, and of course can be no diminution of his inducements to trade. It is too moderate in its amount to discourage the consumption of imported goods, and cannot, on that

account, abridge the extent of importations. If it even had this effect, it would be an advantage to commerce, by lessening the proportion of our imports to our exports, and inclining the balance in favor of this country.

The principal thing to be consulted for the advancement of commerce is to promote exports. All impediments to these, either by way of prohibition, or by increasing the prices of native commodities, decreasing by that means their sale and consumption at foreign markets, are injurious. Duties on exports have this operation. For the same reason taxes on possessions and the articles of our own growth or manufacture, whether in the form of a land-tax, excise, or any other, are more hurtful to trade than impost duties. The tendency of all such taxes is to increase the prices of those articles which are the objects of exportation, and to enable others to undersell us abroad. The farmer, if he pays a heavy land-tax, must endeavor to get more for the products of his farm; the mechanic and laborer, if they find the necessaries of life grow dearer by an excise, must endeavor to exact higher wages: and these causes will produce an increase of prices within, and operate against foreign commerce.

It is not, however, to be inferred that the whole revenue ought to be drawn from imports; all extremes are to be rejected. The chief thing to be attended to is that the weight of the taxes fall not too heavily, in the first instance, upon particular parts of the community. A judicious distribution to all kinds of taxable property, is a first principle in

taxation. The tendency of these observations is only to show that taxes on possessions, on articles of our own growth and manufacture, are more prejudicial to trade than duties on imports.

The observations which conclude the letter on which these remarks are made, naturally lead to reflections that deserve the serious attention of every member of the Union. There is a happy mean between too much confidence and excessive jealousy, in which the health and prosperity of a State consist. Either extreme is a dangerous vice. The first is a temptation to men in power, to arrogate more than they have a right to; the latter enervates government, prevents system in the administration, defeats the most salutary measures, breeds confusion in the State, disgusts and discontents among the people, and may eventually prove as fatal to liberty as the opposite temper.

It is certainly pernicious to leave any government in a situation of responsibility disproportioned to its power.

The conduct of the war is intrusted to Congress, and the public expectation turned upon them without any competent means at their command to satisfy the important trust. After the most full and solemn deliberation, under a collective view of all the public difficulties, they recommended a measure which appears to them the corner-stone of the public safety: they see this measure suspended for nearly two years; partially complied with by some of the States; rejected by one of them, and in danger, on that account, to be frustrated; the public

embarrassments every day increasing; the dissatisfaction of the army growing more serious; the other creditors of the public clamoring for justice; both irritated by the delay of measures for their present relief or future security; the hopes of our enemies encouraged to protract the war; the zeal of our friends depressed by an appearance of remissness and want of exertion on our part; Congress harassed; the national character suffering; and the national safety at the mercy of events.

This state of things cannot but be extremely painful to Congress; and appears to your Committee to make it their duty to be urgent, to obviate the evils with which it is pregnant.

Resolved, That Congress agree to the said report.

SPEECH ON THE REVENUE SYSTEM [1]

There appears to me to have been some confusion in the manner of voting on the two preceding clauses of this bill: the first, for granting the impost to the United States, having been carried by a majority of one; and the last, for making the officers employed in the collection accountable to them, having been lost by a much larger majority. I was induced to hope, from the success of the first question, that the second would have met with equal success, as I presume gentlemen who meant to adhere to the act of the last session would have opposed the whole

[1] Delivered in the New York Legislature, 1787.

of the present bill as unnecessary, and those who meant to depart from it would be willing to agree substantially to the system recommended by Congress, as it had been adopted and modified by the other States generally. From the complexion of the votes on the last question, I am obliged to conclude either that I was mistaken in my ideas of the intention of the committee, or that there is some misapprehension, in part, of the members.

It becomes, therefore, necessary—to obviate such misapprehension, if any exists, and to discharge my duty at all events—to lay the subject fully before the committee, and to detail, at large, my reasons for wishing to see the bill, in its present form, prevail.

It is a common practice, in entering upon the discussion of an important subject, to endeavor to conciliate the good-will of the audience to the speaker by professions of disinterestedness and zeal for the public good. The example, however frequent, I shall no further imitate than by making one or two general observations. If, in the public stations I have filled, I have acquitted myself with zeal, fidelity, and disinterestedness; if, in the private walk of life, my conduct has been unstained by any dishonorable act, if it has been uniformly consistent with the rules of integrity, I have a right to the confidence of those to whom I address myself; they cannot refuse it to me without injustice. I am persuaded they will not refuse it to me. If, on the other hand, my public conduct has been in any instance marked with perfidy, duplicity, or with sinister views of any kind; if any imputations, founded

in fact, can be adduced to the prejudice of my private character, I have no claim to the confidence of the committee; nor should I expect it.

Even these observations I should have spared myself, did I not know that, in the rage of party, gross calumnies have been propagated. Some I have traced and detected; there may still be others in secret circulation, with which I am unacquainted. Against the influence of such arts I can have no other shield than the general tenor of my past conduct. If *that* will protect me, I may safely confide in the candor of the committee. To that standard I cheerfully submit.

But, indeed, of what importance is it who is the speaker? 'T is his *reasons* only that concern the committee; if these are good, they owe it to themselves and to their constituents to allow them their full weight.

The first objection (and that which is supposed to have the greatest force) against the principles of the bill is, that it would be unconstitutional to delegate legislative power to Congress. If this objection be founded in truth, there is at once an end of the inquiry. God forbid that we should violate that constitution which is the charter of our rights. But it is our duty to examine dispassionately whether it really stands in our way. If it does not, let us not erect an ideal barrier to a measure which the public good may require.

The first ground of the objection is deduced from that clause of the constitution which declares "that no power shall be exercised over the people of this

State but such as is granted by or derived from them."

This, it is plain, amounts to nothing more than a declaration of that fundamental maxim of republican government, "that all power, mediately or immediately, is derived from the consent of the people," in opposition to those doctrines of despotism which uphold the divine right of kings, or lay the foundations of government in force, conquest, or necessity. It does not at all affect the question how far the Legislature may go in granting power to the United States. A power conferred by the representatives of the people, if warranted by the constitution under which they act, is a power derived from the people. This is not only a plain inference of reason, but the terms of the clause itself seem to have been calculated to let in the principle. The words, "derived from," are added to the words "granted by," as if with design to distinguish an indirect derivation of power from an immediate grant of it. This explanation is even necessary to reconcile the constitution to itself, and to give effect to all its parts, as I hope fully to demonstrate in its proper place.

The next clause of the constitution relied upon, is that which declares that "the supreme legislative power *within this State* shall be vested in a Senate and Assembly." This, it is said, excludes the idea of any other legislative power operating within the State. But the more obvious construction of this clause, and *that* which best consists with the situation and views of the country at this time, with what has been done before and since the formation

of our constitution, and with those parts of the constitution itself which acknowledge the Federal Government, is this: "In the distribution of the different parts of the sovereignty in the *particular* government of this State, the legislative authority shall reside in a Senate and Assembly"; or, in other words, "the legislative authority of the particular government of the State of New York shall be vested in a Senate and Assembly." The framers of the constitution could have had nothing more in view than to delineate the different departments of power in our own State government, and never could have intended to interfere with the formation of such a Constitution for the Union as the safety of the whole might require. The justness of this construction will be further elucidated by that part of the constitution which prescribes, "that the supreme executive authority *of the State* shall be vested in a governor." If the former clause excludes the grant of legislative power, this must equally exclude the grant of the executive power, and the consequence would be that there could be no Federal Government at all.

It will be of no avail to say, that there is a difference in the two cases in the mode of expression: that, in one, the terms of description are "within the State"; in the other, "of the State." In grammar, or good sense, the difference in the phrases constitutes no substantial difference in the meaning, or if it does, it concludes against the objection; for the words, *within this State*, which are applied to the legislative power, have a certain precision that may

be supposed to intend a distinction between that legislative power which is to operate *within this State* only, and that which is to operate upon this State in conjunction with the others. But I lay no stress on this observation. In my opinion the legislative power "*within this State*" or the legislative power "of this State," amount in substance to the same thing, and therefore (as has been already observed) if the constitution prohibits the delegation of legislative power to the Union, it equally prohibits the delegation of executive power—and the Confederacy must then be at an end; for without legislative or executive power, it becomes a nullity.

Unfortunately for the objection, if it proves any thing it proves too much. It proves that the powers of the Union in their present form are an usurpation on the constitution of this State. This will appear not only from the reasoning adduced, but from this further consideration,—that the United States are already possessed of *legislative* as well as *executive* authority. The objects of executive power are of three kinds: to make treaties with foreign nations, to make war and peace, to execute and interpret the laws. This description of the executive power will enable us the more readily to distinguish the legislative; which in general may be defined the power of prescribing rules for the community.

The United States are authorized to require from the several States as much money as they judge necessary for the general purposes of the Union, and to limit the time within which it is to be raised; to call for such a number of troops as they deem requisite

for the common defence in time of war; to establish rules in all cases of capture by sea or land; to regulate the alloy and value of coin, the standard of weights and measures, and to make all laws for the government of the army and navy of the Union. All these are powers of the legislative kind, and are declared by the Confederation to be binding upon all the States.

The first is nothing less than a power of taxing the States in gross, though not in detail; and the last is the power of disposing of the liberty and lives of the citizens of this State, when in arms for the common defence. That the powers enumerated are all, or most of them, of a legislative nature, will not be denied by the law members on the other side of the question. If the constitution forbids the grant of legislative power to the Union, all those authorities are illegal and unconstitutional, and ought to be resumed.

If, on the contrary, those authorities were properly granted, then it follows that the constitution does not forbid the grant of legislative power, and the objection falls to the ground; for there is nothing in the constitution permitting the grant of one kind of legislative authority, and forbidding that of another. The degree or nature of the powers of legislation which it might be proper to confer upon the Federal Government, would in this case be a mere question of prudence and expediency, to be determined by general considerations of utility and safety.

The principle of the objection under considera-

tion would not only subvert the foundation of the Union as now established, would not only render it impossible that any Federal Government could exist, but would defeat some of the provisions of the constitution itself. This last idea deserves particular attention.

The nineteenth clause makes it the duty of the governor "to correspond with the Continental Congress." The twentieth provides "that the judges and chancellor shall hold no other office than delegate to the General Congress"; and the thirtieth directs "that delegates to *represent* this State in the General Congress of the United States of America shall be annually appointed."

Now, sir, I ask, if Congress were to have neither executive nor legislative authority, to what purpose were they to exist? To what purpose were delegates to be annually appointed to that body? To what purpose were these delegates to represent this State? Or how could they be said to represent it at all?

Is not the plain import of this part of the constitution, that they were to *represent this State* in the General Assembly of the United States, for the purpose of managing the common concerns of the Union? And does not this necessarily imply that they were to be clothed with such powers as should be found essential to that object? Does it not amount to a constitutional warrant to the Legislature to confer those powers, of whatever kind they might be?

To answer these questions in the negative would

be to charge the constitution with the absurdity of proposing to itself an *end*, and yet prohibiting the means of accomplishing that end.

The words "to represent this State" are of great latitude, and are of themselves sufficient to convey any power necessary to the conduct and direction of its affairs in connection with the other parts of the Confederacy.

In the interpretation of laws it is admitted to be a good rule to resort to the co-existing circumstances, and collect from thence the intention of the framers of the law. Let us apply this rule to the present case.

In the commencement of the Revolution delegates were sent to meet in Congress with large discretionary powers. In short, generally speaking, with full power "to take care of the republic." In the whole of this transaction the idea of an Union of the colonies was carefully held up. It pervaded all our public acts.

In the Declaration of Independence we find it continued and confirmed. That declaration, after setting forth its motives and causes, proceeds thus: "We, therefore, the representatives of the United States of America in General Congress assembled, appealing to the Supreme Judge of the world for the rectitude of our intentions, do in the name and by the authority of the good people of these colonies, solemnly publish and declare that these United Colonies are, and of right ought to be, free and independent states; that they are absolved from all allegiance to the British Crown, and that all

political connection between them and the state of Great Britain is, and ought to be, totally dissolved; and that, as free and independent states, they have full power to levy war, conclude peace, contract alliances, establish commerce, and do all other acts and things that independent states may of right do."

Hence we see that the Union and Independence of these States are blended and incorporated in one and the same act; which, taken together, clearly imports that the United States had in their origin full power to do all acts and things which independent states may of right do; or, in other words, full power of sovereignty.

Accordingly, we find that upon the authority of that act, only approved by the several States, they did levy war, contract alliances, and exercise other high powers of sovereignty, even to the appointment of a dictator, prior to the present Confederation.

In this situation, and with this plenitude of power, our constitution knows and acknowledges the United States in Congress assembled, and provides for the annual appointment of delegates to represent this State in that body, which, in substance, amounts to a constitutional recognition of the Union, with complete sovereignty.

A government may exist without any formal organization or precise definition of its powers. However improper it might have been that the Federal Government should have continued to exist with such absolute and undefined authority, this does not militate against the position that it did possess such

authority. It only proves the propriety of a more regular formation to ascertain its limits. This was the object of the present Confederation, which is, in fact, an abridgment of the original sovereignty of the Union.

It may be said (for it has been said upon other occasions) that, though the constitution did consider the United States in the light I have described, and left the Legislature at liberty in the first instance to have organized the Federal Government in such a manner as they thought proper, yet that liberty ceased with the establishment of the present Confederacy. The discretion of the Legislature was then determined.

This, upon the face of it, is a subtilty, uncountenanced by a single principle of government, or a single expression of the constitution. It is saying that a general authority given to the Legislature for the permanent preservation and good of the community, has been exhausted and spent by the exercise of a part of that authority. The position is the more destitute of color, because the Confederation, by the express terms of the compact, preserves and continues this power. The last clause of it authorizes Congress to propose, and the States to agree to, such alterations as might be afterward found necessary or expedient.

We see, therefore, that the constitution knows and acknowledges the United States in Congress; that it provides for the annual appointment of delegates to *represent this State* in that body without prescribing the objects or limits of that representation;

that at the time our constitution was framed, the Union existed with full sovereignty; and that therefore the idea of sovereignty in the Union is not incompatible with it. We see, further, that the doctrine contained in the objection against granting legislative power would equally operate against granting executive power, would prove that the powers already vested in the Union are illegal and unconstitutional, would render a confederacy of the States in any form impracticable, and would defeat all those provisions of our own constitution which relate to the United States. I submit it to the committee, whether a doctrine pregnant with such consequences can be true; whether it is not as opposite to our constitution as to the principles of national safety and prosperity; and whether it would not be lamentable if the zeal of opposition to a particular measure should carry us to the extreme of imposing upon the constitution a sense foreign to it, which must embarrass the national councils upon future occasions, when all might agree in the utility and necessity of a different construction.

If the arguments I have used under this head are not well-founded, let gentlemen *come forward and show their fallacy.* Let the subject have a fair and full examination, and let truth, on whatever side it may be, prevail!

Flattering myself it will appear to the committee that the constitution, at least, offers us no impediment, I shall proceed to other topics of objection. The next that presents itself, is a supposed danger to liberty from granting legislative power to Congress.

But, before I enter upon this subject, to remove the aspersions thrown upon that body, I shall give a short history of some material facts relating to the origin and progress of the business. To excite the jealousies of the people, it has been industriously represented as an undue attempt to acquire an increase of power. It has been forgotten, or intentionally overlooked, that, considering it in the strongest light as a proposal to alter the Confederation, it is only exercising a power which the Confederation has in direct terms reposed in Congress, who, as before observed, are, by the 13th article, expressly authorized to propose alterations.

But so far was the measure from originating in improper views of that body, that, if I am rightly informed, it did not originate there at all. It was first suggested by a convention of the four Eastern States and New York, at Hartford, and, I believe, was proposed there by the deputies of this State. A gentleman on our bench, unconnected with Congress, who now hears me (I mean Judge Hobart), was one of them. It was dictated by a principle which *bitter experience then* taught us, and which, in peace or war, will always be found true—that adequate supplies to the Federal treasury can never flow from any system which requires the intervention of thirteen deliberatives between the *call* and the *execution*.

Congress agreed to the measure, and recommended it. This State complied without hesitation. All parts of the government — Senate, Assembly, and Council of Revision — concurred; neither the

constitution nor the public liberty presented any obstacle. The difficulties from these sources are a recent discovery.

So late as the first session of the Legislature, after the evacuation of this city, the governor of the State, in his speech to both Houses, gave a decided countenance to the measure. This he does, though not in expressed terms, yet by implications not to be misunderstood.

The *leading opponents* of the impost, of the present day, have all of them, at other times, either concurred in the measure, in its most exceptionable form, and without the qualifications annexed to it by the proposed bill, or have, by other instances of conduct, contradicted their own hypothesis on the constitution, which professedly forms the main prop of their opposition.

The honorable member in my eye, at the last session, brought in a bill for granting to the United States the power of regulating the trade of the Union. This surely includes more ample legislative authority than is comprehended in the mere power of levying a particular duty. It indeed goes to a prodigious extent, much farther than, on a superficial view, can be imagined. Can we believe that the constitutional objection, if well founded, would so long have passed undiscovered and unnoticed? Or, is it fair to impute to Congress criminal motives for proposing a measure which was first recommended to them by five States, or from persisting in that measure, after the unequivocal experience they have had of the total inefficacy of the mode provided

in the Confederation for supplying the treasury of the Union?

I leave the answer to these questions to the good sense and candor of the committee, and shall return to the examination of the question, how far the power proposed to be conferred upon Congress would be dangerous to the liberty of the people. And here I ask:

Whence can this danger arise? The members of Congress are annually chosen by the members of the several Legislatures. They come together with different habits, prejudices, and interests. They are, in fact, continually changing. How is it possible for a body so composed to be formidable to the liberties of States—several of which are large empires in themselves?

The subversion of the liberty of the States could not be the business of a day. It would at least require time, premeditation, and concert. Can it be supposed, that the members of a body so constituted would be unanimous in a scheme of usurpation? If they were not, would it not be discovered and disclosed? If we could even suppose this unanimity among one set of men, can we believe that all the new members who are yearly sent from one State or another would instantly enter into the same views? Would there not be found one honest man to warn his country of the danger?

Suppose the worst—suppose the combination entered into and continued. The execution would at least announce the design; and the means of defence would be easy. Consider the separate power

of several of these States, and the situation of all. Consider the extent, populousness, and resources of Massachusetts, Virginia, Pennsylvania; I might add, of New York, Connecticut, and other States. Where could Congress find means sufficient to subvert the government and liberties of either of these States? or, rather, where find means sufficient to effect the conquest at all? If an attempt was made upon one, the others, from a sense of common danger, would make common cause; and they could immediately unite and provide for their joint defence.

There is one consideration, of immense force in this question, not sufficiently attended to. It is this —that each State possesses in itself the full powers of government, and can at once, in a regular and constitutional way, take measures for the preservation of its rights. In a single kingdom or state, if the rulers attempt to establish a tyranny, the people can only defend themselves by a tumultuary insurrection; they must run to arms without concert or plan; while the usurpers, clothed with the forms of legal authority, can employ the forces of the State to suppress them in embryo, and before they can have time or opportunity to give system to their opposition. With us, the case is widely different. Each State has a government, completely organized in itself, and can at once enter into a regular plan of defence; with the forces of the community at its command, it can immediately form connections with its neighbors, or even with foreign powers, if necessary.

In a contest of this kind, the body of the people

will always be on the side of the State governments. This will not only result from their love of liberty and regard to their own safety, but from other strong principles of human nature. The State governments operate on those immediate familiar personal concerns to which the sensibility of individuals is awake. The distribution of private justice belonging to them, they must always appear to the senses of the people as the immediate guardians of their rights. They will, of course, have the strongest hold on their attachment, respect, and obedience. Another circumstance will contribute to the same end. Far the greatest number of offices and employments are in the gift of the States separately; the weight of official influence will therefore be in favor of the State governments; and, with all these advantages, they cannot fail to carry the people along with them in every contest with the General Government in which they are not palpably in the wrong, and often when they are. What is to be feared from the efforts of Congress to establish a tyranny, with the great body of the people, under the direction of their State governments, combined in opposition to their views? Must not their attempts recoil upon themselves, and terminate in their own ruin and disgrace? or, rather, would not these considerations, if they were insensible to other motives, for ever restrain them from making such attempts?

The causes taken notice of, as securing the attachment of the people to their local governments, present us with another important truth—the natural

imbecility of federal governments, and the danger that they will never be able to exercise power enough to manage the general affairs of the Union; though the States will have a common interest, yet they will also have a particular interest. For example: as a part of the Union, it will be the interest of every State to pay as little itself, and to let its neighbors pay as much as possible. Particular interests have always more influence upon men than general. The Federal States, therefore, consulting their immediate advantage, may be considered as so many eccentric powers, tending in a contrary direction to the government of the Union; and as they will generally carry the people along with them, the Confederacy will be in continual danger of dissolution. This, Mr. Chairman, is the real rock upon which the happiness of this country is likely to split. This is the point to which our fears and cares should be directed, to guard against this, and not to terrify ourselves with imaginary dangers from the spectre of power in Congress, will be our true wisdom.

But let us examine a little more closely the measure under consideration. What does the bill before us require us to do? Merely to grant duties on imposts to the United States, for the short period of twenty-five years; to be applied to the discharge of the principal and interest of the debts contracted for the support of the late war; the collection of which duties is to be made by officers appointed by the State, but accountable to Congress, according to such general regulations as the United States shall establish, subject to these important checks: that no

citizen shall be carried out of the State for trial; that all prosecutions shall be in our own courts; that no excessive fines or penalties shall be imposed; and that a yearly account of the proceeds and application of the revenue shall be rendered to the Legislature, on failure of which it reserves to itself a right of repealing its grant.

Is it possible for any measure to be better guarded? or is it possible that a grant for such precise objects, and with so many checks, can be dangerous to the public liberty?

Having now, as I trust, satisfactorily shown that the constitution offers no obstacle to the measure, and that the liberty of the people cannot be endangered by it, it remains only to consider it in the view of revenue.

The sole question left for discussion is, whether it be an eligible mode of supplying the Federal treasury or not.

The better to answer this question, it will be of use to examine how far the mode by quotas and requisitions has been found competent to the public exigencies.

The universal delinquency of the States during the war shall be passed over with the bare mention of it. The public embarrassments were a plausible apology for that delinquency; and it was hoped the peace would have produced greater punctuality. The experiment has disappointed that hope to a degree which confounds the least sanguine. A comparative view of the compliances of the several States for the five last years will furnish a striking result.

During that period, as appears by a statement on our files, New Hampshire, North Carolina, South Carolina, and Georgia have paid nothing. I say nothing, because the only actual payment is the trifling sum of about $7,000 by New Hampshire. South Carolina indeed has credits, but these are merely by way of discount on the supplies furnished by her during the war, in consideration of her peculiar sufferings and exertions while the immediate theatre of it.

Connecticut and Delaware have paid about one third of their requisitions; Massachusetts, Rhode Island, and Maryland, about one half; Virginia about three fifths; Pennsylvania nearly the whole; and New York more than her quota.

These proportions are taken on the specie requisitions; the indents have been very partially paid, and in their present state are of little account.

The payments into the Federal treasury have declined rapidly each year. The whole amount for three years past, in specie, has not exceeded $1,400,000, of which New York has paid 100 per cent. more than her proportion. This sum, little more than $400,000 a year, it will readily be conceived, has been exhausted in the support of the civil establishments of the Union, and the necessary guards and garrisons of public arsenals, and on the frontiers; without any surplus for paying any part of the debt, foreign or domestic, principal or interest.

Things are continually growing worse; the last year in particular produced less than two hundred thousand dollars, and that from only two or three

States. Several of the States have been so long unaccustomed to pay, that they seem no longer concerned even about the appearances of compliance.

Connecticut and Jersey have almost formally declined paying any longer. The ostensible motive is the non-concurrence of this State in the impost system. The real one must be conjectured from the fact.

Pennsylvania, if I understand the scope of some late resolutions, means to discount the interest she pays upon her assumption to her own citizens; in which case there will be little coming from her to the United States. This seems to be bringing matters to a crisis.

The pecuniary support of the Federal Government has of late devolved almost entirely upon Pennsylvania and New York. If Pennsylvania refuses to continue her aid, what will be the situation of New York? Are we willing to be the Atlas of the Union? or are we willing to see it perish?

This seems to be the alternative. Is there not a species of political knight-errantry in adhering pertinaciously to a system which throws the whole weight of the Confederation upon this State, or upon one or two more? Is it not our interest, on mere calculations of State policy, to promote a measure which, operating under the same regulations in every State, must produce an equal, or nearly equal, effect everywhere, and oblige all the States to share the common burthen?

If the impost is granted to the United States, with the power of levying it, it must have a propor-

tionate effect in all the States, for the same mode of collection everywhere will have nearly the same return everywhere.

What must be the final issue of the present state of things? Will the few States that now contribute be willing to contribute much longer? Shall we ourselves be long content with bearing the burthen singly? Will not our zeal for a particular system soon give way to the pressure of so unequal a weight? And if all the States cease to pay, what is to become of the Union? It is sometimes asked: Why do not Congress oblige the States to do their duty? But where are the means? Where are the fleets and armies, where the Federal treasury to support those fleets and armies, to enforce the requisitions of the Union? All methods short of coercion, have repeatedly been tried in vain.

Let us now proceed to another most important inquiry. How are we to pay our foreign debt? This, I think, is estimated at about $7,000,000, which will every year increase with the accumulations of interest. If we pay neither principal nor interest, we not only abandon all pretensions to character as a nation, but we endanger the public peace. However it may be in our power to evade the just demands of our domestic creditors, our foreign creditors must and will be paid.

They have power to enforce their demands, and sooner or later they may be expected to do it. It is not my intention to endeavor to excite the apprehensions of the committee, but I would appeal to their prudence. A discreet attention to the consequences

of national measures is no impeachment of our firmness.

The foreign debt, I say, must sooner or later be paid, and the longer provision is delayed the heavier it must fall at last.

We require about 1,600,000 dollars to discharge the interest and instalments of the present year, about a million annually upon an average, for ten years more, and about 300,000 dollars for another ten years.

The product of the impost may be computed at about a million of dollars annually. It is an increasing fund. This fund would not only suffice for the discharge of the foreign debt, but important operations might be ingrafted upon it towards the extinguishment of the domestic debt.

Is it possible to hesitate about the propriety of adopting a resource so easy in itself and so extensive in its effects?

Here I expect I may be told there is no objection to employing this resource. The act of the last session does it. The only dispute is about the mode. We are willing to grant the *money*, but not the *power* required from us. Money will pay our debts; power may destroy our liberties.

It has been insinuated that nothing but a lust of power would have prevented Congress from accepting the grant in the shape it has already passed the Legislature. This is a severe charge. If true, it ought undoubtedly to prevent our going a step further. But it is easy to show that Congress could not have accepted our grant without removing

themselves further from the object than they now are. To gain one State they must have lost all the others. The grants of every State are accompanied with a condition that similar grants be made by the other States. It is not denied that our act is essentially different from theirs. Their acts give the United States the power of collecting the duty; ours reserves it to the State, and makes it receivable in paper-money.

The immediate consequences of accepting our grant would be a relinquishment of the grants of other States. They must take the matter up anew, and do the work over again to accommodate it to our standard. In order to anchor one State, would it have been wise to set twelve, or at least eleven others, afloat?

It is said, that the States which have granted more would certainly be willing to grant less. They would easily accommodate their acts to that of New York, as more favorable to their own power and security.

But would Massachusetts and Virginia, which have no paper-money of their own, accede to a plan that permitted other States to pay in paper while they paid in specie? Would they consent that their citizens should pay *twenty* shillings in. the pound, while the citizens of Rhode Island paid only *four*, the citizens of North Carolina *ten*, and of other States in different degrees of inequality, in proportion to the relative depreciation of their paper? Is it wise, in this State, to cherish a plan that gives such an advantage to the citizens of other States over its own?

The paper-money of the State of New York, in most transactions, is equal to gold and silver; that of Rhode Island is depreciated to five for one; that of North Carolina to two for one; that of South Carolina may perhaps be worth fifteen shillings in the pound.

If the States pay the duties in paper, is it not evident that for every pound of that duty consumed by the citizen of New York he would pay twenty shillings, while the citizen of South Carolina would pay fifteen shillings; of North Carolina, ten shillings; and Rhode Island, only four!

This consideration alone is sufficient to condemn the plan of our grant of last session, and to prove incontestably that the States which are averse to emitting a paper currency, or have it in their power to support one when emitted, would never come into it.

Again, would those States which by their public acts demonstrate a conviction that the powers of the Union require augmentation; which are conscious of energy in their own administration—would they be willing to concur in a plan which left the collection of the duties in the hands of each State; and of course subject to all the inequalities which a more or less vigorous system of collection would produce?

This too is an idea which ought to have great weight with us. We have better habits of government than are to be found in some of the States; and our constitution admits of more energy than the constitution of most of the other States. The

duties, therefore, would be more effectually collected with us than in such States, and this would have a similar effect to the depreciation of the money, in imposing a greater burthen on the citizens of this State.

If any State should incline to evade the payment of the duties, having the collection in its own hands, nothing would be easier than to effect it, and without materially sacrificing appearances.

It is manifest, from this view of the subject, that we have the strongest reasons, as a State, to depart from our own act; and that it would have been highly injudicious in Congress to have accepted it.

If there even had been a prospect of the concurrence of the other States in the plan, how inadequate would it have been to the public exigencies, fettered with the embarrassments of a depreciating paper!

It is to no purpose to say, that the faith of the State was pledged by the act to make the paper equal to gold and silver; and that the other States would be obliged to do the same. What greater dependence can be had on the faith of the States pledged to this measure, than on the faith they pledged in the Confederation sanctioned by a solemn appeal to heaven? If the obligation of faith in one case has had so little influence upon their conduct in respect to the requisitions of Congress, what hope can there be that they would have greater influences in respect to the deficiencies of the paper-money?

There yet remains an important light in which to consider the subject in the way of revenue. It is a

clear point that we cannot carry the duties upon imports to the same extent by separate arrangements as by a general plan—we must regulate ourselves by what we find done in the neighboring States: while Pennsylvania has only two and a half per cent. on her importations, we cannot greatly exceed her. To go much beyond it would injure our commerce in a variety of ways, and would defeat itself. While the ports of Connecticut and Jersey are open to the introduction of goods free from duty, and the conveyance from them to us is so easy—while they consider our imposts as an ungenerous advantage taken of them, which it would be laudable to elude, the duties must be light or they would be evaded. The facility to do it, and the temptation of doing it, would be both so great, that we should collect perhaps less by an increase of the rates than we do now. Already we experience the effects of this situation. But if the duties were to be levied under a common direction, with the same precautions everywhere to guard against smuggling, they might be carried without prejudice to trade to a much more considerable height.

As things now are, we must adhere to the present standard of duties, without any material alterations. Suppose this to produce fifty thousand pounds a year. The duties to be granted to Congress ought, in proportion, to produce double that sum. To this it appears, by a scheme now before us, that additional duties might be imposed for the use of the State, on certain enumerated articles, to the amount of thirty thousand pounds. This would be

an augmentation of our national revenue by indirect taxation to the extent of eighty thousand pounds a year, an immense object in a single State, and which alone demonstrates the good policy of the measure.

It is no objection to say that a great part of this fund will be dedicated to the use of the United States. Their exigencies must be supplied in some way or other. The more is done towards it by means of the impost, the less will be to be done in other modes. If we do not employ that resource to the best account, we must find others in *direct* taxation. And to this are opposed all the habits and prejudices of the community. There is not a farmer in the State who would not pay a shilling in the voluntary consumption of articles on which a duty is paid, rather than a penny imposed immediately on his house and land.

There is but one objection to the measure under consideration that has come to my knowledge, which yet remains to be discussed. I mean the effect it is proposed to have upon our paper currency. It is said the diversion of this fund would leave the credit of the paper without any effectual support.

Though I should not be disposed to put a consideration of this kind in competition with the safety of the Union, yet I should be extremely cautious about doing any thing that might affect the credit of our currency. The Legislature having thought an emission of paper advisable, I consider it my duty as a representative of the people to take

care of its credit. The farmers appeared willing to exchange their produce for it; the merchants on the other hand had large debts outstanding. They supposed that giving a free circulation to the paper would enable their customers in the country to pay, and as they perceived that they would have it in their power to convert the money into produce, they naturally resolved to give it their support.

These causes combined to introduce the money into general circulation, and having once obtained credit, it will now be able to support itself.

The chief difficulty to have been apprehended in respect to the paper, was to overcome the diffidence which the still recent experience of depreciating paper had instilled into men's minds. This, it was to have been feared, would have shaken its credit at its outset, and if it had once begun to sink, it would be no easy matter to prevent its total decline.

The event has, however, turned out otherwise, and the money has been fortunate enough to conciliate the general confidence. This point gained, there need be no apprehensions of its future fate, unless the government should do something to destroy that confidence.

The causes that first gave it credit still operate, and will in all probability continue so to do. The demand for money has not lessened, and the merchant has still the same inducement to countenance the circulation of the paper.

I shall not deny that the outlet which the payment of duties furnished to the merchant was an additional motive to the reception of the paper.

Nor is it proposed to take away this motive. There is now before the House a bill, one object of which is the establishment of a State impost on certain enumerated articles, in addition to that to be granted to the United States. It is computed on very good grounds, that the additional duties would amount to about £30,000, and as they would be payable in paper currency they would create a sufficient demand upon the merchant to leave him, in this respect, substantially the same inducement which he had before. Indeed, independent of this, the readiness of the trading people to take the money can never be doubted, while it will freely command the commodities of the country; for this, to them, is the most important use they can make of it.

But besides the State impost, there must be other taxes: and these will all contribute to create a demand for the money; which is all we now mean when we talk of funds for its support; for there are none appropriated for the redemption of the paper.

Upon the whole, the additional duties will be a competent substitute for those now in existence; and the general good-will of the community towards the paper will be the best security for its credit.

Having now shown, Mr. Chairman, that there is no constitutional impediment to the adoption of the bill; that there is no danger to be apprehended to the public liberty from giving the power in question to the United States; that in view of the revenue the measure under consideration is not only expedient but necessary,—let us turn our attention to the other side of this important subject. Let us ask

ourselves, what will be the consequence of rejecting the bill? What will be the situation of our national affairs if they are left much longer to float in the chaos in which they are now involved?

Can our national character be preserved without paying our debts? Can the Union subsist without revenue? Have we realized the consequences which would attend its dissolution?

If these States are not united under a Federal Government they will infallibly have wars with each other; and their divisions will subject them to all the mischiefs of foreign influence and intrigue. The human passions will never want objects of hostility. The Western territory is an obvious and fruitful source of contest. Let us also cast our eye upon the map of this State, intersected from one extremity to the other by a large navigable river. In the event of a rupture with them, what is to hinder our metropolis from becoming a prey to our neighbors? Is it even supposable that they would suffer it to remain the nursery of wealth to a distinct community?

These subjects are delicate, but it is necessary to contemplate them, to teach us to form a true estimate of our situation.

Wars with each other would beget standing armies—a source of more real danger to our liberties than all the powers that could be conferred upon the representatives of the Union. And wars with each other would lead to opposite alliances with foreign powers, and plunge us into all the labyrinths of European politics.

The Romans, in their progress to universal dominion, when they conceived the project of subduing the refractory spirit of the Grecian republics which composed the famous Achaian League, began by sowing dissensions among them, and instilling jealousies of each other, and of the common head, and finished by making them a province of the Roman empire.

The application is easy: if there are any foreign enemies, if there are any domestic foes to this country, all their arts and artifices will be employed to effect a dissolution of the Union. This cannot be better done than by sowing jealousies of the Federal head, and cultivating in each State an undue attachment to its own power.

FINANCE

FINANCE

FIRST REPORT ON THE PUBLIC CREDIT

Communicated to the House of Representatives, January 14, 1790.

TREASURY DEPARTMENT, January 9, 1790.

THE Secretary of the Treasury, in obedience to the resolution of the House of Representatives of the twenty-first day of September last, has, during the recess of Congress, applied himself to the consideration of a proper plan for the support of the public credit, with all the attention which was due to the authority of the House, and to the magnitude of the object.

In the discharge of this duty, he has felt, in no small degree, the anxieties which naturally flow from a just estimate of the difficulty of the task, from a well-founded diffidence of his own qualifications for executing it with success, and from a deep and solemn conviction of the momentous nature of the truth contained in the resolution under which his investigations have been conducted,—"That an adequate provision for the support of the public credit is a matter of high importance to the honor and prosperity of the United States."

With an ardent desire that his well-meant endeavors may be conducive to the real advantage of

the nation, and with the utmost deference to the superior judgment of the House, he now respectfully submits the result of his inquiries and reflections to their indulgent construction.

In the opinion of the Secretary, the wisdom of the House, in giving their explicit sanction to the proposition which has been stated, cannot but be applauded by all who will seriously consider and trace, through their obvious consequences, these plain and undeniable truths:

That exigencies are to be expected to occur, in the affairs of nations, in which there will be a necessity for borrowing.

That loans in time of public danger, especially from foreign war, are found an indispensable resource, even to the wealthiest of them.

And that, in a country which, like this, is possessed of little active wealth, or, in other words, little moneyed capital, the necessity for that resource must, in such emergencies, be proportionably urgent.

And as, on the one hand, the necessity for borrowing in particular emergencies cannot be doubted, so, on the other, it is equally evident that, to be able to borrow upon good terms, it is essential that the credit of a nation should be well established.

For, when the credit of a country is in any degree questionable, it never fails to give an extravagant premium, in one shape or another, upon all the loans it has occasion to make. Nor does the evil end here; the same disadvantage must be sustained on whatever is to be bought on terms of future payment.

From this constant necessity of borrowing and buying dear, it is easy to conceive how immensely the expenses of a nation, in a course of time, will be augmented by an unsound state of the public credit.

To attempt to enumerate the complicated variety of mischiefs, in the whole system of the social economy, which proceed from a neglect of the maxims that uphold public credit, and justify the solicitude manifested by the House on this point, would be an improper intrusion on their time and patience.

In so strong a light, nevertheless, do they appear to the Secretary, that, on their due observance, at the present critical juncture, materially depends, in his judgment, the individual and aggregate prosperity of the citizens of the United States; their relief from the embarrassments they now experience; their character as a people; the cause of good government.

If the maintenance of public credit, then, be truly so important, the next inquiry which suggests itself is: By what means is it to be effected? The ready answer to which question is, by good faith; by a punctual performance of contracts. States, like individuals, who observe their engagements are respected and trusted, while the reverse is the fate of those who pursue an opposite conduct.

Every breach of the public engagements, whether from choice or necessity, is, in different degrees, hurtful to public credit. When such a necessity does truly exist, the evils of it are only to be palliated by a scrupulous attention, on the part of the Government, to carry the violation no further than

the necessity absolutely requires, and to manifest, if the nature of the case admit of it, a sincere disposition to make reparation whenever circumstances shall permit. But, with every possible mitigation, credit must suffer, and numerous mischiefs ensue. It is, therefore, highly important, when an appearance of necessity seems to press upon the public councils, that they should examine well its reality, and be perfectly assured that there is no method of escaping from it, before they yield to its suggestions. For, though it cannot safely be affirmed that occasions have never existed, or may not exist, in which violations of the public faith, in this respect, are inevitable; yet there is great reason to believe that they exist far less frequently than precedents indicate, and are oftenest either pretended, through levity or want of firmness; or supposed, through want of knowledge. Expedients often have been devised to effect, consistently with good faith, what has been done in contravention of it. Those who are most commonly creditors of a nation are, generally speaking, enlightened men; and there are signal examples to warrant a conclusion that, when a candid and fair appeal is made to them, they will understand their true interest too well to refuse their concurrence in such modifications of their claims as any real necessity may demand.

While the observance of that good faith, which is the basis of public credit, is recommended by the strongest inducements of political expediency, it is enforced by considerations of still greater authority.

There are arguments for it which rest on the immutable principles of moral obligation. And in proportion as the mind is disposed to contemplate, in the order of Providence, an intimate connection between public virtue and public happiness, will be its repugnancy to a violation of those principles.

This reflection derives additional strength from the nature of the debt of the United States. It was the price of liberty. The faith of America has been repeatedly pledged for it, and with solemnities that give peculiar force to the obligation. There is, indeed, reason to regret that it has not hitherto been kept; that the necessities of the war, conspiring with inexperience in the subjects of finance, produced direct infractions; and that the subsequent period has been a continued scene of negative violation or non-compliance. But a diminution of this regret arises from the reflection, that the last seven years have exhibited an earnest and uniform effort, on the part of the Government of the Union, to retrieve the national credit, by doing justice to the creditors of the nation; and that the embarrassments of a defective Constitution, which defeated this laudable effort, have ceased.

From this evidence of a favorable disposition given by the former Government, the institution of a new one, clothed with powers competent to calling forth the resources of the community, has excited correspondent expectations. A general belief accordingly prevails, that the credit of the United States will quickly be established on the firm foundation of an effectual provision for the existing debt.

The influence which this has had at home is witnessed by the rapid increase that has taken place in the market value of the public securities. From January to November, they rose thirty-three and a third per cent.; and, from that period to this time, they have risen fifty per cent. more; and the intelligence from abroad announces effects proportionably favorable to our national credit and consequence.

It cannot but merit particular attention, that, among ourselves, the most enlightened friends of good government are those whose expectations are the highest.

To justify and preserve their confidence; to promote the increasing respectability of the American name; to answer the calls of justice; to restore landed property to its due value; to furnish new resources, both to agriculture and commerce; to cement more closely the union of the States; to add to their security against foreign attack; to establish public order on the basis of an upright and liberal policy;—these are the great and invaluable ends to be secured by a proper and adequate provision, at the present period, for the support of public credit.

To this provision we are invited, not only by the general considerations which have been noticed, but by others of a more particular nature. It will procure, to every class of the community, some important advantages, and remove some no less important disadvantages.

The advantage to the public creditors, from the increased value of that part of their property which constitutes the public debt, needs no explanation.

But there is a consequence of this, less obvious, though not less true, in which every other citizen is interested. It is a well-known fact, that, in countries in which the national debt is properly funded, and an object of established confidence, it answers most of the purposes of money. Transfers of stock or public debt are there equivalent to payments in specie; or, in other words, stock, in the principal transactions of business, passes current as specie. The same thing would, in all probability, happen here under the like circumstances.

The benefits of this are various and obvious:

First.—Trade is extended by it, because there is a larger capital to carry it on, and the merchant can, at the same time, afford to trade for smaller profits; as his stock, which, when unemployed, brings him an interest from the Government, serves him also as money when he has a call for it in his commercial operations.

Secondly.—Agriculture and manufactures are also promoted by it, for the like reason, that more capital can be commanded to be employed in both; and because the merchant, whose enterprise in foreign trade gives to them activity and extension, has greater means for enterprise.

Thirdly.—The interest of money will be lowered by it; for this is always in a ratio to the quantity of money, and to the quickness of circulation. This circumstance will enable both the public and individuals to borrow on easier and cheaper terms.

And from the combination of these effects, additional aids will be furnished to labor, to industry,

and to arts of every kind. But these good effects of a public debt are only to be looked for, when, by being well funded, it has acquired an adequate and stable value; till then, it has rather a contrary tendency. The fluctuation and insecurity incident to it, in an unfunded state, render it a mere commodity, and a precarious one. As such, being only an object of occasional and particular speculation, all the money applied to it is so much diverted from the more useful channels of circulation, for which the thing itself affords no substitute; so that, in fact, one serious inconvenience of an unfunded debt is, that it contributes to the scarcity of money.

This distinction, which has been little if at all attended to, is of the greatest moment; it involves a question immediately interesting to every part of the community, which is no other than this: Whether the public debt, by a provision for it on true principles, shall be rendered a substitute for money; or whether, by being left as it is, or by being provided for in such a manner as will wound those principles and destroy confidence, it shall be suffered to continue as it is, a pernicious drain of our cash from the channels of productive industry?

The effect which the funding of the public debt, on right principles, would have upon landed property, is one of the circumstances attending such an arrangement, which has been least adverted to, though it deserves the most particular attention. The present depreciated state of that species of property is a serious calamity. The value of cultivated lands, in most of the States, has fallen, since

the Revolution, from twenty-five to fifty per cent. In those farther south, the decrease is still more considerable. Indeed, if the representations continually received from that quarter may be credited, lands there will command no price which may not be deemed an almost total sacrifice. This decrease in the value of lands ought, in a great measure, to be attributed to the scarcity of money; consequently, whatever produces an augmentation of the moneyed capital of the country must have a proportional effect in raising that value. The beneficial tendency of a funded debt, in this respect, has been manifested by the most decisive experience in Great Britain.

The proprietors of lands would not only feel the benefit of this increase in the value of their property, and of a more prompt and better sale, when they had occasion to sell, but the necessity of selling would be itself greatly diminished. As the same cause would contribute to the facility of loans, there is reason to believe that such of them as are indebted would be able, through that resource, to satisfy their more urgent creditors.

It ought not, however, to be expected that the advantages described as likely to result from funding the public debt would be instantaneous. It might require some time to bring the value of stock to its natural level, and to attach to it that fixed confidence which is necessary to its quality as money. Yet the late rapid rise of the public securities encourages an expectation that the progress of stock, to the desirable point, will be much more

expeditious than could have been foreseen. And as, in the meantime, it will be increasing in value, there is room to conclude that it will, from the outset, answer many of the purposes in contemplation. Particularly, it seems to be probable, that from creditors who are not themselves necessitous it will early meet with a ready reception in payment of debts, at its current price.

Having now taken a concise view of the inducements to a proper provision for the public debt, the next inquiry which presents itself is: What ought to be the nature of such a provision? This requires some preliminary discussions.

It is agreed, on all hands, that that part of the debt which has been contracted abroad, and is denominated the foreign debt, ought to be provided for according to the precise terms of the contracts relating to it. The discussions which can arise, therefore, will have reference essentially to the domestic part of it, or to that which has been contracted at home. It is to be regretted that there is not the same unanimity of sentiment on this part as on the other.

The Secretary has too much deference for the opinions of every part of the community not to have observed one, which has more than once made its appearance in the public prints, and which is occasionally to be met with in conversation. It involves this question: Whether a discrimination ought not to be made between original holders of the public securities, and present possessors, by purchase? Those who advocate a discrimination

are for making a full provision for the securities of the former at their nominal value, but contend that the latter ought to receive no more than the cost to them, and the interest. And the idea is sometimes suggested of making good the difference to the primitive possessor.

In favor of this scheme it is alleged that it would be unreasonable to pay twenty shillings in the pound to one who had not given more for it than three or four. And it is added that it would be hard to aggravate the misfortune of the first owner, who, probably through necessity, parted with his property at so great a loss, by obliging him to contribute to the profit of the person who had speculated on his distresses.

The Secretary, after the most mature reflection on the force of this argument, is induced to reject the doctrine it contains, as equally unjust and impolitic; as highly injurious, even to the original holders of public securities; as ruinous to public credit.

It is inconsistent with justice, because, in the first place, it is a breach of contract—a violation of the rights of a fair purchaser.

The nature of the contract, in its origin, is that the public will pay the sum expressed in the security, to the first holder or his assignee. The intent in making the security assignable is, that the proprietor may be able to make use of his property, by selling it for as much as it may be worth in the market, and that the buyer may be safe in the purchase.

Every buyer, therefore, stands exactly in the place of the seller; has the same right with him to the identical sum expressed in the security; and, having acquired that right by fair purchase and in conformity to the original agreement and intention of the Government, his claim cannot be disputed without manifest injustice.

That he is to be considered as a fair purchaser, results from this: whatever necessity the seller may have been under, was occasioned by the Government, in not making a proper provision for its debts. The buyer had no agency in it, and therefore ought not to suffer. He is not even chargeable with having taken an undue advantage. He paid what the commodity was worth in the market, and took the risks of reimbursement upon himself. He, of course, gave a fair equivalent, and ought to reap the benefit of his hazard—a hazard which was far from inconsiderable, and which, perhaps, turned on little less than a revolution in government.

That the case of those who parted with their securities from necessity is a hard one, cannot be denied. But, whatever complaint of injury, or claim of redress, they may have, respects the Government solely. They have not only nothing to object to the persons who relieved their necessities, by giving them the current price of their property, but they are even under an implied condition to contribute to the reimbursement of those persons. They knew that, by the terms of the contract with themselves, the public were bound to pay to those to whom they should convey their title the sums stipulated to be

paid to them; and that, as citizens of the United States, they were to bear their proportion of the contribution for that purpose. This, by the act of assignment, they tacitly engaged to do; and, if they had an option, they could not, with integrity or good faith, refuse to do it, without the consent of those to whom they sold.

But, though many of the original holders sold from necessity, it does not follow that this was the case with all of them. It may well be supposed that some of them did it either through want of confidence in an eventual provision, or from the allurements of some profitable speculation. How shall these different classes be discriminated from each other? How shall it be ascertained, in any case, that the money which the original holder obtained for his security was not more beneficial to him, than if he had held it to the present time, to avail himself of the provision which shall be made? How shall it be known whether, if the purchaser had employed his money in some other way, he would not be in a better situation than by having applied it in the purchase of securities, though he should now receive their full amount? And, if neither of these things can be known, how shall it be determined, whether a discrimination, independent of the breach of contract, would not do a real injury to purchasers; and, if it included a compensation to the primitive proprietors, would not give them an advantage to which they had no equitable pretension?

It may well be imagined, also, that there are not

wanting instances in which individuals, urged by a present necessity, parted with the securities received by them from the public, and shortly after replaced them with others, as an indemnity for their first loss. Shall they be deprived of the indemnity which they have endeavored to secure by so provident an arrangement?

Questions of this sort, on a close inspection, multiply themselves without end, and demonstrate the injustice of a discrimination, even on the most subtile calculations of equity, abstracted from the obligation of contract.

The difficulties, too, of regulating the details of a plan for that purpose, which would have even the semblance of equity, would be found immense. It may well be doubted, whether they would not be insurmountable, and replete with such absurd as well as inequitable consequences, as to disgust even the proposers of the measure.

As a specimen of its capricious operation, it will be sufficient to notice the effect it would have upon two persons, who may be supposed, two years ago, to have purchased, each, securities, at three shillings in the pound, and one of them to retain those bought by him, till the discrimination should take place; the other, to have parted with those bought by him, within a month past, at nine shillings. The former, who had had most confidence in the Government, would, in this case, only receive at the rate of three shillings, and the interest; while the latter, who had had less confidence, would receive, for what cost him the same money, at the rate of nine

shillings, and his representative, standing in his place, would be entitled to a like rate.

The impolicy of a discrimination results from two considerations: one, that it proceeds upon a principle destructive of that quality of the public debt, or the stock of the nation, which is essential to its capacity for answering the purposes of money—that is, the security of transfer; the other, that, as well on this account as because it includes a breach of faith, it renders property in the funds less valuable, consequently induces lenders to demand a higher premium for what they lend, and produces every other inconvenience of a bad state of public credit.

It will be perceived, at first sight, that the transferable quality of stock is essential to its operation as money, and that this depends on the idea of complete security to the transferee, and a firm persuasion that no distinction can, in any circumstances, be made between him and the original proprietor.

The precedent of an invasion of this fundamental principle would, of course, tend to deprive the community of an advantage with which no temporary saving could bear the least comparison.

And it will as readily be perceived that the same cause would operate a diminution of the value of stock in the hands of the first as well as of every other holder. The price which any man who should incline to purchase would be willing to give for it, would be in a compound ratio to the immediate profit it afforded, and the chance of the continuance of his profit. If there was supposed to be

any hazard of the latter, the risk would be taken into the calculation, and either there would be no purchase at all, or it would be at a proportionably less price.

For this diminution of the value of stock every person who should be about to lend to the Government would demand compensation, and would add to the actual difference between the nominal and the market value an equivalent for the chance of greater decrease, which, in a precarious state of public credit, is always to be taken into the account. Every compensation of this sort, it is evident, would be an absolute loss to the Government.

In the preceding discussion of the impolicy of a discrimination, the injurious tendency of it to those who continue to be the holders of the securities they received from the Government has been explained. Nothing need be added on this head, except that this is an additional and interesting light in which the injustice of the measure may be seen. It would not only divest present proprietors, by purchase, of the rights they had acquired under the sanction of public faith, but it would depreciate the property of the remaining original holders. It is equally unnecessary to add any thing to what has been already said to demonstrate the fatal influence which the principle of discrimination would have on the public credit.

But there is still a point of view, in which it will appear perhaps even more exceptionable than in either of the former. It would be repugnant to an express provision of the Constitution of the United

States. This provision is that "all debts contracted and engagements entered into before the adoption of that Constitution, shall be as valid against the United States under it as under the Confederation"; which amounts to a constitutional ratification of the contracts respecting the debt in the state in which they existed under the Confederation. And, resorting to that standard, there can be no doubt that the rights of assignees and original holders must be considered as equal. In exploding thus fully the principle of discrimination, the Secretary is happy in reflecting that he is only the advocate of what has been already sanctioned by the formal and express authority of the Government of the Union in these emphatic terms: "The remaining class of creditors," say Congress, in their circular addressed to the States of the 26th April, 1783, "is composed of such of our fellow-citizens as originally lent to the public the use of their funds, or have since manifested most confidence in their country by receiving transfers from the lenders; and partly of those whose property has been either advanced or assumed for the public service. To discriminate the merits of these several descriptions of creditors would be a task equally unnecessary and invidious. If the voice of humanity pleads more loudly in favor of some than of others, the voice of policy, no less than of justice, pleads in favor of all. A wise nation will never permit those who relieve the wants of their country, or who rely most on its faith, its firmness, and its resources, when either of them is distrusted, to suffer by the event."

The Secretary, concluding that a discrimination between the different classes of creditors of the United States cannot, with propriety, be made, proceeds to examine whether a difference ought to be permitted to remain between them and another description of public creditors—those of the States individually. The Secretary, after mature reflection on this point, entertains a full conviction that an assumption of the debts of the particular States by the Union, and a like provision for them as for those of the Union, will be a measure of sound policy and substantial justice.

It would, in the opinion of the Secretary, contribute, in an eminent degree, to an orderly, stable, and satisfactory arrangement of the national finances. Admitting, as ought to be the case, that a provision must be made, in some way or other, for the entire debt, it will follow that no greater revenues will be required whether that provision be made wholly by the United States, or partly by them and partly by the States separately.

The principal question, then, must be whether such a provision cannot be more conveniently and effectually made by one general plan, issuing from one authority, than by different plans, originating in different authorities? In the first case there can be no competition for resources; in the last there must be such a competition. The consequences of this, without the greatest caution on both sides, might be interfering regulations, and thence collision and confusion. Particular branches of industry might also be oppressed by it. The most productive objects of

revenue are not numerous. Either these must be wholly engrossed by one side, which might lessen the efficacy of the provisions by the other, or both must have recourse to the same objects, in different modes, which might occasion an accumulation upon them beyond what they could properly bear. If this should not happen, the caution requisite to avoiding it would prevent the revenue's deriving the full benefit of each object. The danger of interference and of excess would be apt to impose restraints very unfriendly to the complete command of those resources which are the most convenient, and to compel the having recourse to others, less eligible in themselves and less agreeable to the community. The difficulty of an effectual command of the public resources, in case of separate provisions for the debt, may be seen in another, and, perhaps, more striking light. It would naturally happen that different States, from local considerations, would, in some instances, have recourse to different objects, in others to the same objects, in different degrees, for procuring the funds of which they stood in need. It is easy to conceive how this diversity would affect the aggregate revenue of the country. By the supposition, articles which yielded a full supply in some States would yield nothing, or an insufficient product, in others. And hence, the public revenue would not derive the full benefit of those articles from State regulations; neither could the deficiencies be made good by those of the Union. It is a provision of the national Constitution that "all duties, imposts, and excises shall be uniform throughout

the United States." And, as the General Government would be under a necessity, from motives of policy, of paying regard to the duty which may have been previously imposed upon any article, though but in a single State, it would be constrained either to refrain wholly from any further imposition upon such article, where it had been already rated as high as was proper, or to confine itself to the difference between the existing rate and what the article would reasonably bear. Thus the pre-occupancy of an article by a single State would tend to arrest or abridge the impositions of the Union on that article. And as it is supposable that a great variety of articles might be placed in this situation, by dissimilar arrangements of the particular States, it is evident that the aggregate revenue of the country would be likely to be very materially contracted by the plan of separate provisions.

If all the public creditors receive their dues from one source, distributed with an equal hand, their interest will be the same. And, having the same interests, they will unite in the support of the fiscal arrangements of the Government—as these, too, can be made with more convenience where there is no competition. These circumstances combined will insure to the revenue laws a more ready and more satisfactory execution.

If, on the contrary, there are distinct provisions, there will be distinct interests, drawing different ways. That union and concert of views among the creditors, which in every Government is of great importance to their security and to that of public

credit, will not only not exist, but will be likely to give place to mutual jealousy and opposition. And from this cause the operation of the systems which may be adopted, both by the particular States and by the Union, with relation to their respective debts, will be in danger of being counteracted.

There are several reasons which render it probable that the situation of the State creditors would be worse than that of the creditors of the Union, if there be not a national assumption of the State debts. Of these it will be sufficient to mention two: one, that a principal branch of revenue is exclusively vested in the Union; the other, that a State must always be checked in the imposition of taxes on articles of consumption, from the want of power to extend the same regulation to the other States, and from the tendency of partial duties to injure its industry and commerce. Should the State creditors stand upon a less eligible footing than the others, it is unnatural to expect they would see with pleasure a provision for them. The influence which their dissatisfaction might have, could not but operate injuriously, both for the creditors and the credit of the United States. Hence it is even the interest of the creditors of the Union, that those of the individual States should be comprehended in a general provision. Any attempt to secure to the former either exclusive or peculiar advantages, would materially hazard their interests. Neither would it be just that one class of public creditors should be more favored than the other. The objects for which both descriptions of the debt were contracted are in the

main the same. Indeed, a great part of the particular debts of the States has arisen from assumptions by them on account of the Union. And it is most equitable that there should be the same measure of retribution for all. There is an objection, however, to an assumption of the State debts, which deserves particular notice. It may be supposed that it would increase the difficulty of an equitable settlement between them and the United States.

The principles of that settlement, whenever they shall be discussed, will require all the moderation and wisdom of the Government. In the opinion of the Secretary, that discussion, till further lights are obtained, would be premature. All, therefore, which he would now think advisable on the point in question would be that the amount of the debts assumed and provided for should be charged to the respective States to abide an eventual arrangement. This the United States, as assignees to the creditors, would have an indisputable right to do. But, as it might be a satisfaction to the House to have before them some plan for the liquidation of accounts between the Union and its members, which, including the assumption of the State debts, would consist with equity, the Secretary will submit, in this place, such thoughts on the subject as have occurred to his own mind, or been suggested to him, most compatible, in his judgment, with the end proposed.

Let each State be charged with all the money advanced to it out of the treasury of the United States, liquidated according to the specie value at the time of each advance, with interest at six per cent.

Let it also be charged with the amount, in specie value, of all its securities which shall be assumed, with the interest upon them, to the time when interest shall become payable by the United States.

Let it be credited for all moneys paid and articles furnished to the United States, and for all other expenditures during the war, either toward general or particular defence, whether authorized or unauthorized by the United States; the whole liquidated to specie value, and bearing an interest of six per cent. from the several times at which the several payments, advances, and expenditures accrued.

And let all sums of continental money, now in the treasuries of the respective States, which shall be paid into the treasury of the United States, be credited at specie value.

Upon a statement of the accounts according to these principles, there can be little doubt that balances would appear in favor of all the States against the United States.

To equalize the contributions of the States, let each be then charged with its proportion of the aggregate of those balances, according to some equitable ratio, to be devised for that purpose.

If the contributions should be found disproportionate, the result of this adjustment would be, that some States would be creditors, some debtors, to the Union. Should this be the case—as it will be attended with less inconvenience to the United States to have to pay balances to, than to receive them from, the particular States—it may, perhaps, be practicable to effect the former by a second process, in the nature

of a transfer of the amount of the debts of debtor States, to the credit of creditor States, observing the ratio by which the first apportionment shall have been made. This, whilst it would destroy the balances due from the former, would increase those due to the latter; these to be provided for by the United States, at a reasonable interest, but not to be transferable. The expediency of this second process must depend on a knowledge of the result of the first. If the inequalities should be too great, the arrangement may be impracticable, without unduly increasing the debt of the United States. But it is not likely that this would be the case. It is also to be remarked, that though this second process might not, upon the principle of apportionment, bring the thing to the point aimed at, yet it may approach so nearly to it, as to avoid essentially the embarrassment of having considerable balances to collect from any of the States.

The whole of this arrangement to be under the superintendence of commissioners, vested with equitable discretion and final authority. The operation of the plan is exemplified in Schedule A.

The general principle of it seems to be equitable: for it appears difficult to conceive a good reason why the expenses for the particular defence of a part, in a common war, should not be a common charge, as well as those incurred professedly for the general defence. The defence of each part is that of the whole; and unless all the expenditures are brought into a common mass, the tendency must be to add to the calamities suffered, by being the most exposed to

the ravages of war, an increase of burthens. This plan seems to be susceptible of no objection which does not belong to every other, that proceeds on the idea of a final adjustment of accounts. The difficulty of settling a ratio is common to all. This must, probably, either be sought for in the proportions of the requisitions during the war, or in the decision of commissioners, appointed with plenary power. The rule prescribed in the Constitution, with regard to representation and direct taxes, would evidently not be applicable to the situation of parties during the period in question. The existing debt of the United States is excluded from the computation, as it ought to be, because it will be provided for out of a general fund. The only discussion of a preliminary kind which remains, relates to the distinctions of the debt into principal and interest. It is well known that the arrears of the latter bear a large proportion to the amount of the former. The immediate payment of these arrears is evidently impracticable; and a question arises, What ought to be done with them?

There is good reason to conclude, that the impressions of many are more favorable to the claim of the principal, than to that of the interest; at least so far as to produce an opinion, that an inferior provision might suffice for the latter.

But, to the Secretary, this opinion does not appear to be well founded. His investigations of the subject have led him to a conclusion, that the arrears of interest have pretensions at least equal to the principal.

The liquidated debt, traced to its origin, falls under two principal discriminations. One relating to loans, the other to services performed and articles supplied. The part arising from loans was at first made payable at fixed periods, which have long since elapsed, with an early option to lenders, either to receive back their money at the expiration of those periods, or to continue it at interest, till the whole amount of continental bills circulating should not exceed the sum in circulation at the time of each loan. This contingency, in the sense of the contract, never happened; and the presumption is, that the creditors preferred continuing their money indefinitely at interest to receiving it in a depreciated and depreciating state.

The other parts of it were chiefly for objects which ought to have been paid for at the time—that is, when the services were performed, or the supplies furnished; and were not accompanied with any contract for interest.

But by different acts of Government and Administration, concurred in by the creditors, these parts of the debt have been converted into a capital, bearing an interest of six per cent. per annum, but without any definite period of redemption. A portion of the Loan Office debt has been exchanged for new securities of that import; and the whole of it seems to have acquired that character after the expiration of the periods prefixed for repayment. If this view of the subject be a just one, the capital of the debt of the United States may be considered in the light of an annuity at the rate of six per cent. per

annum, redeemable at the pleasure of the Government by payment of the principal: for it seems to be a clear position, that, when a Government contracts a debt payable with interest, without any precise time being stipulated or understood for payment of the capital, that time is a matter of pure discretion with the Government, which is at liberty to consult its own convenience respecting it, taking care to pay the interest with punctuality.

Wherefore, as long as the United States should pay the interest of their debt, as it accrued, their creditors would have no right to demand the principal. But with regard to the arrears of interest, the case is different. These are now due, and those to whom they are due, have a right to claim immediate payment. To say that it would be impracticable to comply, would not vary the nature of the right. Nor can this idea of impracticability be honorably carried further than to justify the proposition of a new contract, upon the basis of a commutation of that right for an equivalent. This equivalent, too, ought to be a real and fair one. And what other fair equivalent can be imagined for the detention of money, but a reasonable interest? Or what can be the standard of that interest, but the market rate, or the rate which the Government pays in ordinary cases?

From this view of the matter, which appears to be the accurate and true one, it will follow that the arrears of interest are entitled to an equal provision with the principal of the debt.

The result of the foregoing discussion is this: That

there ought to be no discrimination between the original holders of the debt, and present possessors by purchase; that it is expedient there should be an assumption of the State debts by the Union; and that the arrears of interest should be provided for on an equal footing with the principal.

The next inquiry, in order, toward determining the nature of a proper provision, respects the quantum of the debt, and present rates of interest.

The debt of the Union is distinguishable into foreign and domestic.

The foreign debt, as stated in Schedule B, amounts to, principal . . .	$10,070,307 00
Bearing an interest of four, and partly an interest of five per cent.	
Arrears of interest to the last of December, 1789	1,640,071 62
Making, together . .	$11,710,378 62

The domestic debt may be subdivided into liquidated and unliquidated; principal and interest.

The principal of the liquidated part, as stated in Schedule C, amounts to .	$27,383,917 74
Bearing an interest of six per cent.	
The arrears of interest, as stated in the Schedule D, to the end of 1790, amount to	13,030,168 20
Making, together . .	$40,414,085 94

This includes all that has been paid in indents (except what has come into the treasury of the United

States), which, in the opinion of the Secretary, can be considered in no other light than as interest due.

The unliquidated part of the domestic debt, which consists chiefly of the continental bills of credit, is not ascertained, but may be estimated at 2,000,000 dollars.

These several sums constitute the whole of the debt of the United States, amounting together to $54,124,464.56. That of the individual States is not equally well ascertained. The Schedule E shows the extent to which it has been ascertained by returns, pursuant to the orders of the House of the 21st September last; but this not comprehending all the States, the residue must be estimated from less authentic information. The Secretary, however, presumes that the total amount may be safely stated at twenty-five millions of dollars, principal and interest. The present rate of interest in the States' debt is, in general, the same with that of the domestic debt of the Union.

On the supposition that the arrears of interest ought to be provided for, on the same terms with the principal, the annual amount of the interest, which, at the existing rates, would be payable on the entire mass of the public debt, would be:

On the foreign debt, computing the interest on the principal, as it stands, and allowing four per cent. on the arrears of interest	$ 542,599 66
On the domestic debt, including that of States	4,044,845 15
Making, together . .	$4,587,444 81

The interesting problem now occurs: Is it in the power of the United States, consistently with those prudential considerations which ought not to be overlooked, to make a provision equal to the purpose of funding the whole debt, at the rates of interest which it now bears, in addition to the sum which will be necessary for the current service of the Government?

The Secretary will not say that such a provision would exceed the abilities of the country, but he is clearly of opinion that to make it would require the extension of taxation to a degree and to objects which the true interest of the public creditors forbids. It is, therefore, to be hoped, and even to be expected, that they will cheerfully concur in such modifications of their claims, on fair and equitable principles, as will facilitate to the Government an arrangement substantial, durable, and satisfactory to the community. The importance of the last characteristic will strike every discerning mind. No plan, however flattering in appearance, to which it did not belong, could be truly entitled to confidence.

It will not be forgotten that exigencies may, erelong, arise, which would call for resources greatly beyond what is now deemed sufficient for the current service; and that, should the faculties of the country be exhausted, or even strained, to provide for the public debt, there could be less reliance on the sacredness of the provision. But while the Secretary yields to the force of these considerations, he does not lose sight of those fundamental principles of good faith which dictate that every practicable

exertion ought to be made, scrupulously to fulfil the engagements of the Government; that no change in the rights of its creditors ought to be attempted without their voluntary consent; and that this consent ought to be voluntary in fact as well as in name. Consequently, that every proposal of a change ought to be in the shape of an appeal to their reason and to their interest, not to their necessities. To this end it is requisite that a fair equivalent should be offered for what may be asked to be given up, and unquestionable security for the remainder. Without this, an alteration consistently with the credit and honor of the nation would be impracticable.

It remains to see what can be proposed in conformity to these views.

It has been remarked that the capital of the debt of the Union is to be viewed in the light of an annuity, at the rate of six per cent. per annum, redeemable at the pleasure of the Government by payment of the principal. And it will not be required that the arrears of interest should be considered in a more favorable light. The same character, in general, may be applied to the debts of the individual States.

This view of the subject admits that the United States would have it in their power to avail themselves of any fall in the market rate of interest for reducing that of the debt.

This property of the debt is favorable to the public, unfavorable to the creditor, and may facilitate an arrangement for the reduction of interest upon the basis of a fair equivalent.

Probabilities are always a rational ground of

contract. The Secretary conceives that there is good reason to believe, if effectual measures are taken to establish public credit, that the Government rate of interest in the United States will, in a very short time, fall at least as low as five per cent.; and that, in a period not exceeding twenty years, it will sink still lower, probably to four. There are two principal causes which will be likely to produce this effect: one, the low rate of interest in Europe; the other, the increase of the moneyed capital of the nation by the funding of the public debt.

From three to four per cent. is deemed good interest in several parts of Europe. Even less is deemed so in some places; and it is on the decline, the increasing plenty of money continually tending to lower it. It is presumable, that no country will be able to borrow of foreigners upon better terms than the United States, because none can, perhaps, afford so good security. Our situation exposes us, less than that of any other nation, to those casualties which are the chief causes of expense; our encumbrances, in proportion to our real means, are less, though these cannot immediately be brought so readily into action; and our progress in resources, from the early state of the country, and the immense tracts of unsettled territory, must necessarily exceed that of any other. The advantages of this situation have already engaged the attention of the European money-lenders, particularly among the Dutch. And as they become better understood, they will have the greater influence. Hence, as large a proportion of the cash of Europe as may be wanted will be, in a

certain sense, in our market, for the use of Government. And this will naturally have the effect of a reduction of the rate of interest, not indeed to the level of the places which send their money to market, but to something much nearer to it than our present rate.

The influence which the funding of the debt is calculated to have in lowering interest has been already remarked and explained. It is hardly possible that it should not be materially affected by such an increase of the moneyed capital of the nation as would result from the proper funding of seventy millions of dollars. But the probability of a decrease in the rate of interest acquires confirmation from facts which existed prior to the Revolution. It is well known that, in some of the States, money might, with facility, be borrowed, on good security, at five per cent., and, not unfrequently, even at less.

The most enlightened of the public creditors will be most sensible of the justness of this view of the subject, and of the propriety of the use which will be made of it. The Secretary, in pursuance of it, will assume, as a probability sufficiently great to be a ground of calculation, both on the part of the Government and of its creditors, that the interest of money in the United States will, in five years, fall to five per cent., and, in twenty, to four. The probability, in the mind of the Secretary, is rather that the fall may be more rapid and more considerable; but he prefers a mean, as most likely to engage the assent of the creditors, and more equitable in itself;

because it is predicated on probabilities, which may err on one side as well as on the other.

Premising these things, the Secretary submits to the House the expediency of proposing a loan, to the full amount of the debt, as well of the particular States as of the Union, upon the following terms:

First. That, for every hundred dollars subscribed, payable in the debt (as well interest as principal), the subscriber be entitled, at his option, either to have two thirds funded at an annuity or yearly interest of six per cent., redeemable at the pleasure of the Government by payment of the principal, and to receive the other third in lands in the Western territory, at the rate of twenty cents per acre; or to have the whole sum funded at an annuity or yearly interest of four per cent., irredeemable by any payment exceeding five dollars per annum, on account both of principal and interest, and to receive, as a compensation for the reduction of interest, fifteen dollars and eighty cents, payable in lands, as in the preceding case; or to have sixty-six dollars and two thirds of a dollar funded immediately, at an annuity or yearly interest of six per cent., irredeemable by any payment exceeding four dollars and two thirds of a dollar per annum, on account both of principal and interest, and to have, at the end of ten years, twenty-six dollars and eighty-eight cents funded at the like interest and rate of redemption; or to have an annuity, for the remainder of life, upon the contingency of fixing to a given age, not less distant than ten years, computing interest at four per cent.; or to have an annuity for the remainder of life, upon the

contingency of the survivorship of the younger of two persons, computing interest in this case also at four per cent.

In addition to the foregoing loan, payable wholly in the debt, the Secretary would propose that one should be opened for ten millions of dollars, on the following plan:

That, for every hundred dollars subscribed, payable one half in specie and the other half in debt (as well principal as interest), the subscriber be entitled to an annuity or yearly interest of five per cent., irredeemable by any payment exceeding six dollars per annum, on account both of principal and interest.

The principles and operation of these different plans may now require explanation.

The first is simply a proposition for paying one third of the debt in land, and funding the other two thirds at the existing rate of interest and upon the same terms of redemption to which it is at present subject.

Here is no conjecture, no calculation of probabilities. The creditor is offered the advantage of making his interest principal, and he is asked to facilitate to the Government an effectual provision for his demands, by accepting a third part of them in land, at a fair valuation.

The general price at which the Western lands have been heretofore sold, has been a dollar per acre in public securities; but, at the time the principal purchases were made, these securities were worth, in the market, less than three shillings in the pound. The nominal price, therefore, would not be the proper

standard, under present circumstances, nor would the precise specie value then given be a just rule; because, as the payments were to be made by instalments, and the securities were, at the times of the purchases, extremely low, the probability of a moderate rise must be presumed to have been taken into the account.

Twenty cents, therefore, seems to bear an equitable proportion to the two considerations of value at the time and likelihood of increase.

It will be understood that, upon this plan, the public retains the advantage of availing itself of any fall in the market rate of interest, for reducing that upon the debt; which is perfectly just, as no present sacrifice, either in the quantum of the principal, or in the rate of interest, is required from the creditor.

The inducement to the measure is, the payment of one third of the debt in land. The second plan is grounded upon the supposition that interest, in five years, will fall to five per cent.; in fifteen more, to four. As the capital remains entire, but bearing an interest of four per cent. only, compensation is to be made to the creditor for the interest of two per cent. per annum for five years, and of one per cent. per annum for fifteen years, to commence at the distance of five years. The present value of these two sums or annuities, computed according to the terms of the supposition, is, by strict calculation, fifteen dollars and the seven hundred and ninety-two thousandth part of a dollar—a fraction less than the sum proposed.

The inducements of the measure here, are the

reduction of interest to a rate more within the compass of a convenient provision, and the payment of the compensation in lands.

The inducements to the individual are, the accommodation afforded to the public; the high probability of a complete equivalent; the chance even of gain, should the rate of interest fall, either more speedily or in a greater degree than the calculation supposes. Should it fall to five per cent. sooner than five years, should it fall lower than five before the additional fifteen were expired, or should it fall below four previous to the payment of the debt, there would be, in each case, an absolute profit to the creditor. As his capital will remain entire, the value of it will increase with every decrease of the rate of interest.

The third plan proceeds upon the like supposition of a successive fall in the rate of interest, and upon that supposition offers an equivalent to the creditor: One hundred dollars, bearing an interest of six per cent. for five years, or five per cent. for fifteen years, and thenceforth of four per cent. (these being the successive rates of interest in the market), is equal to a capital of $122.510725 parts, bearing an interest of four per cent., which, converted into a capital bearing a fixed rate of interest of six per cent., is equal to $81.6738166 parts.

The difference between sixty-six dollars and two thirds of a dollar (the sum to be funded immediately) and this last sum is $15.0172 parts, which, at six per cent. per annum, amounts, at the end of ten years, to $26.8755 parts—the sum to be funded at the

expiration of that period. It ought, however, to be acknowledged that this calculation does not make allowance for the principle of redemption, which the plan itself includes; upon which principle, the equivalent, in a capital of six per cent., would be, by strict calculation, $87.50766 parts.

But there are two considerations which induce the Secretary to think that the one proposed would operate more equitably than this: One is, that it may not be very early in the power of the United States to avail themselves of the right of redemption reserved in the plan; the other is, that with regard to the part to be funded at the end of ten years, the principle of redemption is suspended during that time, and the full interest of six per cent. goes on improving at the same rate, which, for the last five years, will exceed the market rate of interest, according to the supposition.

The equivalent is regulated in this plan by the circumstance of fixing the rate of interest higher than it is supposed it will continue to be in the market, permitting only a gradual discharge of the debt, in an established proportion, and consequently preventing advantage being taken of any decrease of interest below the stipulated rate.

Thus the true value of eighty-one dollars and sixty-seven cents, the capital proposed, considered as a perpetuity, and bearing six per cent. interest, when the market rate of interest was five per cent., would be a small fraction more than ninety-eight dollars; when it was four per cent., it would be one hundred and twenty-two dollars and fifty-one cents.

But the proposed capital being subject to gradual redemption, it is evident that its value, in each case, would be somewhat less. Yet, from this may be perceived the manner in which a less capital, at a fixed rate of interest, becomes an equivalent for a greater capital, at a rate liable to variation and diminution.

It is presumable that those creditors who do not entertain a favorable opinion of property in Western lands will give a preference to this last mode of modelling the debt. The Secretary is sincere in affirming that, in his opinion, it will be likely to prove, to the full, as beneficial to the creditor as a provision for his debt upon its present terms.

It is not intended, in either case, to oblige the Government to redeem in the proportion specified, but to secure to it the right of doing so, to avoid the inconvenience of a perpetuity.

The fourth and fifth plans abandon the supposition which is the basis of the two preceding ones, and offer only four per cent. throughout.

The reason of this is, that the payment being deferred, there will be an accumulation of compound interest, in the intermediate period, against the public, which, without a very provident administration, would turn to its detriment, and the suspension of the burthen would be too apt to beget a relaxation of efforts in the meantime. The measure, therefore, its object being temporary accommodation, could only be advisable upon a moderate rate of interest.

With regard to individuals, the inducement will be sufficient at four per cent. There is no disposition

of money, in private loans, making allowance for the usual delays and casualties, which would be equally beneficial as a future provision.

A hundred dollars advanced upon the life of a person of eleven years old would produce an annuity [1]—

	Dolls.	Parts.
If commencing at twenty-one, of . .	10.	346
If commencing at thirty-one, of . .	18.	803
If commencing at forty-one, of . .	37.	286
If commencing at fifty-one, of . . .	78.	580

The same sum advanced upon the chance of the survivorship of the younger of two lives, one of the persons being twenty-five, the other thirty years old, would produce, if the younger of the two should survive, an annuity [2] for the remainder of life, of twenty-three dollars, five hundred and fifty-six parts.

From these instances may readily be discerned the advantages which these deferred annuities afford, for securing a comfortable provision for the evening of life, or for wives who survive their husbands.

The sixth plan also relinquishes the supposition, which is the foundation of the second and third, and offers a higher rate of interest, upon similar terms of redemption, for the consideration of the payment of one half of the loan in specie. This is a plan highly advantageous to the creditors who may be able to make that payment, while the specie itself could be applied in purchases of the debt, upon terms which

[1] See Schedule F.

[2] See Table, Schedule G.

would fully indemnify the public for the increased interest.

It is not improbable that foreign holders of the domestic debt may embrace this as a desirable arrangement.

As an auxiliary expedient, and by way of experiment, the Secretary would propose a loan upon the principles of a tontine [1]—

To consist of six classes, composed respectively of persons of the following ages:

First class, of those of 20 years and under.

Second class, of those above 20, and not exceeding 30.

Third class, of those above 30, and not exceeding 40.

Fourth class, of those above 40, and not exceeding 50.

Fifth class, of those above 50, and not exceeding 60.

Sixth class, of those above 60.

Each share to be two hundred dollars; the number of shares in each class to be indefinite. Persons to be at liberty to subscribe on their own lives, or on those of others nominated by them.

The annuity upon a share in the first class, to be	$ 8 40
Upon a share in the second	8 65
Upon a share in the third	9 00
Upon a share in the fourth	9 65
Upon a share in the fifth	10 70
Upon a share in the sixth	12 80

[1] See Table, Schedule H.

The annuities of those who die to be equally divided among the survivors, until four fifths shall be dead, when the principle of survivorship shall cease, and each annuitant thenceforth enjoy his dividend as a several annuity during the life upon which it shall depend.

These annuities are calculated on the best life in each class, and at a rate of interest of four per cent., with some deductions in favor of the public. To the advantages which these circumstances present, the cessation of the right of survivorship, on the death of four fifths of the annuitants, will be no inconsiderable addition.

The inducements to individuals are, a competent interest for their money from the outset, secured for life, with a prospect of continual increase, and even of a large profit to those whose fortune it is to survive their associates.

It will have appeared that, in all the proposed loans, the Secretary has contemplated the putting the interest upon the same footing with the principal. That on the debt of the United States, he would have computed to the last of the present year; that on the debt of the particular States, to the last of the year 1791: the reason for which distinction will be seen hereafter.

In order to keep up a due circulation of money, it will be expedient that the interest of the debt should be paid quarter-yearly. This regulation will, at the same time, conduce to the advantage of the public creditors, giving them, in fact, by the anticipation of payment, a higher rate of interest; which may, with

propriety, be taken into the estimate of the compensation to be made to them. Six per cent. per annum, paid in this mode, will truly be worth six dollars and the one hundred and thirty-five thousandth part of a dollar, computing the market interest at the same rate.

The Secretary thinks it advisable to hold out various propositions, all of them compatible with the public interest, because it is, in his opinion, of the greatest consequence that the debt should, with the consent of the creditors, be remoulded into such a shape as will bring the expenditure of the nation to a level with its income. Till this shall be accomplished the finances of the United States will never wear a proper countenance. Arrears of interest, continually accruing, will be as continual a monument, either of inability or of ill faith, and will not cease to have an evil influence on public credit. In nothing are appearances of greater moment than in whatever regards credit. Opinion is the soul of it; and this is affected by appearances as well as realities. By offering an option to the creditors between a number of plans, the change meditated will be more likely to be accomplished. Different tempers will be governed by different views of the subject.

But while the Secretary would endeavor to effect a change in the form of the debt by new loans, in order to render it more susceptible of an adequate provision, he would not think it proper to aim at procuring the concurrence of the creditors by operating upon their necessities.

Hence, whatever surplus of revenue might remain,

after satisfying the interest of the new loans and the demand for the current service, ought to be divided among those creditors, if any, who may not think fit to subscribe to them. But for this purpose, under the circumstance of depending propositions, a temporary appropriation will be most advisable, and the sum must be limited to four per cent., as the revenues will only be calculated to produce in that proportion to the entire debt.

The Secretary confides, for the success of the propositions to be made, on the goodness of the reasons upon which they rest; on the fairness of the equivalent to be offered in each case; on the discernment of the creditors of their true interest, and on their disposition to facilitate the arrangements of the Government, and to render them satisfactory to the community.

The remaining part of the task to be performed is to take a view of the means of providing for the debt, according to the modification of it which is proposed.

On this point the Secretary premises that, in his opinion, the funds to be established ought, for the present, to be confined to the existing debt of the United States; as well because the progressive augmentation of the revenue will be most convenient, as because the consent of the State creditors is necessary to the assumption contemplated; and though the obtaining of that consent may be inferred with great assurance from their obvious interest to give it, yet, till it shall be obtained, an actual provision for the debt would be premature. Taxes could not, with

propriety, be laid for an object which depended on such a contingency.

All that ought now to be done respecting it is to put the matter in an effectual train for a future provision. For which purpose the Secretary will, in the course of this report, submit such propositions as appear to him advisable.

The Secretary now proceeds to a consideration of the necessary funds.

It has been stated that the debt of the United States consists of the foreign debt, amounting, with arrears of interest, to	$11,710,378 62
And the domestic debt, amounting, with like arrears, computed to the end of the year 1790, to	42,414,085 94
Making, together . .	$54,124,464 56

The interest on the domestic debt is computed to the end of this year, because the details of carrying any plan into execution will exhaust the year.

The annual interest of the foreign debt has been stated at	$ 542,599 66
And the interest on the domestic debt, at four per cent., would amount to .	1,696,563 43
Making, together .	$2,239,163 09

Thus, to pay the interest of the foreign debt, and to pay four per cent. on the whole of the domestic debt, principal and interest, forming a new capital, will require a yearly income of $2,239,163.09—the

sum which, in the opinion of the Secretary, ought now to be provided, in addition to what the current service will require.

For, though the rate of interest proposed by the third plan exceeds four per cent. on the whole debt and the annuities on the tontine will also exceed four per cent. on the sums which may be subscribed; yet, as the actual provision for a part is in the former case suspended, as measures for reducing the debt by purchases may be advantageously pursued, and as the payment of the deferred annuities will of course be postponed, four per cent. on the whole will be a sufficient provision.

With regard to the instalments of the foreign debt, these, in the opinion of the Secretary, ought to be paid by new loans abroad. Could funds be conveniently spared from other exigencies for paying them, the United States could illy bear the drain of cash, at the present juncture, which the measure would be likely to occasion.

But to the sum which has been stated for payment of the interest must be added a provision for the current service. This the Secretary estimates at six hundred thousand dollars,[1] making, with the amount of the interest, two millions eight hundred and thirty-nine thousand one hundred and sixty-three dollars and nine cents.

This sum may, in the opinion of the Secretary, be obtained from the present duties on imports and tonnage, with the additions which, without any possible disadvantage, either to trade or agriculture,

[1] See Schedule I.

may be made on wines, spirits (including those distilled within the United States), teas, and coffee.

The Secretary conceives that it will be sound policy to carry the duties upon articles of this kind as high as will be consistent with the practicability of a safe collection. This will lessen the necessity, both of having recourse to direct taxation, and of accumulating duties where they would be more inconvenient to trade and upon objects which are more to be regarded as necessaries of life.

That the articles which have been enumerated will, better than most others, bear high duties, can hardly be a question. They are all of them in reality luxuries; the greatest part of them foreign luxuries; some of them, in the excess in which they are used, pernicious luxuries. And there is, perhaps, none of them which is not consumed in so great abundance as may justly denominate it a source of national extravagance and impoverishment. The consumption of ardent spirits, particularly, no doubt very much on account of their cheapness, is carried to an extreme which is truly to be regretted, as well in regard to the health and morals as to the economy of the community.

Should the increase of duties tend to a decrease of the consumption of those articles, the effect would be in every respect desirable. The saving which it would occasion would leave individuals more at their ease, and promote a favorable balance of trade. As far as this decrease might be applicable to distilled spirits, it would encourage the substitution of

cider and malt liquors, benefit agriculture, and open a new and productive source of revenue.

It is not, however, probable that this decrease would be in a degree which would frustrate the expected benefit to the revenue from raising the duties. Experience has shown that luxuries of every kind lay the strongest hold on the attachments of mankind, which, especially when confirmed by habit, are not easily alienated from them.

The same fact affords a security to the merchant that he is not likely to be prejudiced by considerable duties on such articles. They will usually command a proportional price. The chief things, in this view, to be attended to, are, that the terms of payment be so regulated as not to require inconvenient advances, and that the mode of collection be secure.

To other reasons, which plead for carrying the duties upon the articles which have been mentioned, to as great an extent as they will bear, may be added these: that they are of a nature, from their extensive consumption, to be very productive, and are amongst the most difficult objects of illicit introduction.

Invited by so many motives to make the best use of the resource which these articles afford, the essential inquiry is, in what mode can the duties upon them be most effectually collected?

With regard to such of them as will be brought from abroad, a duty on importation recommends itself by two leading considerations: one is, that, meeting the object at its first entrance into the country, the collection is drawn to a point, and, so

far, simplified; the other is, that it avoids the possibility of interference between the regulations of the United States and those of the particular States.

But a duty, the precautions for the collection of which should terminate with the landing of the goods, as is essentially the case in the existing system, could not, with safety, be carried to the extent which is contemplated.

In that system, the evasion of the duty depends, as it were, on a single risk. To land the goods in defiance of the vigilance of the officers of the customs, is almost the sole difficulty. No future pursuit is materially to be apprehended. And where the inducement is equivalent to the risk, there will be found too many who are willing to run it. Consequently, there will be extensive frauds of the revenue, against which the utmost rigor of penal laws has proved, as often as it has been tried, an ineffectual guard.

The only expedient which has been discovered, for conciliating high duties with a safe collection, is the establishment of a *second* or interior scrutiny.

By pursuing the article, from its importation into the hands of the dealers in it, the risk of detection is so greatly enhanced, that few, in comparison, will venture to incur it. Indeed, every dealer who is not himself the fraudulent importer, then becomes in some sort a sentinel upon him.

The introduction of a system founded on this principle in some shape or other, is, in the opinion of the Secretary, essential to the efficacy of every attempt to render the revenues of the United States

equal to their exigencies, their safety, their prosperity, their honor.

Nor is it less essential to the interest of the honest and fair trader. It might even be added, that every individual citizen, besides his share in the general weal, has a particular interest in it. The practice of smuggling never fails to have one of two effects, and sometimes unites them both. Either the smuggler undersells the fair trader, as, by saving the *duty*, he can afford to do, and makes *it* a charge upon him, or he sells at the increased price occasioned by the duty, and defrauds every man who buys of him, of his share of what the public ought to receive; for it is evident that the loss falls ultimately upon the citizens, who must be charged with other taxes to make good the deficiency and supply the wants of the State.

The Secretary will not presume that the plan which he shall submit to the consideration of the House is the best that could be devised. But it is the one which has appeared to him freest from objections, of any that has occurred, of equal efficacy. He acknowledges, too, that it is susceptible of improvement, by other precautions in favor of the revenue, which he did not think it expedient to add. The chief outlines of the plan are not original; but it is no ill recommendation of it, that it has been tried with success.

The Secretary accordingly proposes—

That the duties heretofore laid upon wines, distilled spirits, teas, and coffee, should, after the last day of May next, cease; and that, instead of them, the following duties be laid:

Upon every gallon of Madeira wine, the quality of London particular, thirty-five cents.

Upon every gallon of other Madeira wine, thirty cents.

Upon every gallon of Sherry, twenty-five cents.

Upon every gallon of other wine, twenty cents.

Upon every gallon of distilled spirits more than ten per cent. below proof, according to Dicas' hydrometer, twenty cents.

Upon every gallon of those spirits under five and not more than ten per cent. below proof, according to the same hydrometer, twenty-one cents.

Upon every gallon of those spirits, of proof, and not more than five per cent. below proof, according to the same hydrometer, twenty-two cents.

Upon every gallon of those spirits, above proof, but not exceeding twenty per cent. according to the same hydrometer, twenty-five cents.

Upon every gallon of those spirits, more than twenty, and not more than forty per cent. above proof, according to the same hydrometer, thirty cents.

Upon every gallon of those spirits, more than forty per cent. above proof, according to the same hydrometer, forty cents.

Upon every pound of Hyson tea, forty cents.

Upon every pound of other green tea, twenty-four cents.

Upon every pound of Souchong and other black teas, except Bohea, twenty cents.

Upon every pound of Bohea tea, twelve cents.

Upon every pound of coffee, five cents.

That, upon spirits distilled within the United States, from molasses, sugar, or other foreign materials, there be paid:

Upon every gallon of those spirits, more than ten per cent. below proof, according to Dicas' hydrometer, eleven cents.

Upon every gallon of those spirits, under five, and not more than ten per cent. below proof, according to the same hydrometer, twelve cents.

Upon every gallon of those spirits, of proof, and not more than five per cent. below proof, according to the same hydrometer, thirteen cents.

Upon every gallon of those spirits, above proof, but not exceeding twenty per cent. according to the same hydrometer, fifteen cents.

Upon every gallon of those spirits, more than twenty, and not more than forty per cent. above proof, according to the same hydrometer, twenty cents.

Upon every gallon of those spirits, more than forty per cent. above proof, according to the same hydrometer, thirty cents.

That, upon spirits distilled within the United States, in any city, town, or village, from materials of the growth or production of the United States, there be paid:

Upon every gallon of those spirits, more than ten per cent. below proof, according to Dicas' hydrometer, nine cents.

Upon every gallon of those spirits, under five, and not more than ten per cent. below proof, according to the same hydrometer, ten cents.

Upon every gallon of those spirits, of proof, and not more than five per cent. below proof, according to the same hydrometer, eleven cents.

Upon every gallon of those spirits, above proof, but not exceeding twenty per cent. according to the same hydrometer, thirteen cents.

Upon every gallon of those spirits, more than twenty, and not more than forty per cent. above proof, according to the same hydrometer, seventeen cents.

Upon every gallon of those spirits, more than forty per cent. above proof, according to the same hydrometer, twenty-five cents.

That, upon all stills employed in distilling spirits from materials of the growth or production of the United States, in any other place than a city, town, or village, there be paid the yearly sum of sixty cents, for every gallon, English wine measure, of the capacity of each still, including its head.

The Secretary does not distribute the duties on teas into different classes, as has been done in the impost act of the last session; because this distribution depends on considerations of commercial policy, not of revenue. It is sufficient, therefore, for him to remark, that the rates above specified are proposed with reference to the lowest class.

The Secretary, conceiving that he could not convey an accurate idea of the plan contemplated by him, for the collection of these duties, in any mode so effectual as by the draught of a bill for the purpose, begs leave, respectfully, to refer the House to that which will be found annexed to this report,

relatively to the article of distilled spirits; and which, for the better explanation of some of its parts, is accompanied with marginal remarks.

It would be the intention of the Secretary that the duty on wines should be collected upon precisely the same plan with that on imported spirits.

But, with regard to teas and coffee, the Secretary is inclined to think that it will be expedient, till experience shall evince the propriety of going further, to exclude the ordinary right of the officers to visit and inspect the places in which those articles may be kept. The other precautions, without this, will afford, though not complete, considerable security.

It will not escape the observation of the House that the Secretary, in the plan submitted, has taken the most scrupulous care that those citizens upon whom it is immediately to operate, be secured from every species of injury by the misconduct of the officers to be employed. There are not only strong guards against their being guilty of abuses of authority; they are not only punishable, criminally, for any they may commit, and made answerable in damages, to individuals, for whatever prejudice these may sustain by their acts or neglects; but even where seizures are made with probable cause, if there be an acquittal of the articles seized a compensation to the proprietors for the injury their property may suffer, and even for its detention, is to be made out of the public treasury.

So solicitous, indeed, has the Secretary been to obviate every appearance of hardship, that he has

even included a compensation to the dealers for their agency in aid of the revenue.

With all these precautions to manifest a spirit of moderation and justice on the part of the Government; and when it is considered that the object of the proposed system is the firm establishment of public credit; that, on this depends the character, security, and prosperity of the nation; that advantages, in every light important, may be expected to result from it; that the immediate operation of it will be upon an enlightened class of citizens, zealously devoted to good government, and to a liberal and enlarged policy; and that it is peculiarly the interest of the virtuous part of them to co-operate in whatever will restrain the spirit of illicit traffic; there will be perceived to exist the justest ground of confidence that the plan, if eligible in itself, will experience the cheerful and prompt acquiescence of the community.

The Secretary computes the net product of the duties proposed in this report at about one million seven hundred and three thousand four hundred dollars, according to the estimate in Schedule K, which, if near the truth, will, together with the probable product of the duties on imposts and tonnage, complete the sum required.

But it will readily occur, that in so unexplored a field there must be a considerable degree of uncertainty in the data; and that on this account it will be prudent to have an auxiliary resource for the first year in which the interest will become payable, that there may be no possibility of disappointment to the public creditors ere there may be an opportunity of

providing for any deficiency which the experiment may discover. This will, accordingly, be attended to.

The proper appropriation of the funds provided and to be provided seems next to offer itself to consideration.

On this head, the Secretary would propose that the duties on distilled spirits should be applied, in the first instance, to the payment of the interest on the foreign debt.

That, reserving out of the residue of those duties an annual sum of six hundred thousand dollars for the current service of the United States, the surplus, together with the product of the other duties, be applied to the payment of the interest on the new loan, by an appropriation coextensive with the duration of the debt.

And that, if any part of the debt should remain unsubscribed, the excess of the revenue be divided among the creditors of the unsubscribed part by a temporary disposition, with a limitation, however, to four per cent.

It will hardly have been unnoticed that the Secretary has been, thus far, silent on the subject of the Post Office. The reason is, that he has had in view the application of the revenue arising from that source to the purpose of a sinking fund. The Postmaster-General gives it as his opinion that the immediate product of it, upon a proper arrangement, would probably be not less than one hundred thousand dollars. And, from its nature, with good management, it must be a growing, and will be likely

to become, a considerable fund. The Postmaster-General is now engaged in preparing a plan which will be the foundation of a proposition for a new arrangement of the establishment. This, and some other points relative to the subject referred to the Secretary, he begs leave to reserve for a future report.

Persuaded, as the Secretary is, that the proper funding of the present debt will render it a national blessing, yet he is so far from acceding to the position, in the latitude in which it is sometimes laid down, that "public debts are public benefits"—a position inviting to prodigality and liable to dangerous abuse—that he ardently wishes to see it incorporated as a fundamental maxim in the system of public credit of the United States, that the creation of debt should always be accompanied with the means of extinguishment. This he regards as the true secret for rendering public credit immortal. And he presumes that it is difficult to conceive a situation in which there may not be an adherence to the maxim. At least, he feels an unfeigned solicitude that this may be attempted by the United States, and that they may commence their measures for the establishment of credit with the observance of it.

Under this impression, the Secretary proposes that the net product of the Post Office to a sum not exceeding one million of dollars be vested in commissioners, to consist of the Vice-President of the United States, or President of the Senate, the Speaker of the House of Representatives, the Chief Justice,

Secretary of the Treasury, and Attorney-General of the United States, for the time being, in trust; to be applied by them, or any three of them, to the discharge of the existing public debt, either by purchases of stock in the market, or by payments on account of the principal, as shall appear to them most advisable, in conformity to public engagements; to continue so vested until the whole of the debt shall be discharged.

As an additional expedient for effecting a reduction of the debt, and for other purposes, which will be mentioned, the Secretary would further propose, that the same commissioners be authorized, with the approbation of the President of the United States, to borrow, on their credit, a sum not exceeding twelve millions of dollars, to be applied:

First.—To the payment of the interest and instalments of the foreign debt, to the end of the present year, which will require 3,491,932 dollars and 46 cents.

Secondly.—To the payment of any deficiency which may happen in the product of the funds provided for paying the interest of the domestic debt.

Thirdly.—To the effecting a change in the form of such part of the foreign debt as bears an interest of five per cent. It is conceived that for this purpose a new loan at a lower interest may be combined with other expedients. The remainder of this part of the debt, after paying the instalments which will accrue in the course of 1790, will be 3,888,888 dollars and 81 cents.

Fourthly.—To purchase of the public debt, at the

price it shall bear in the market, while it continues below its true value. This measure, which would be, in the opinion of the Secretary, highly dishonorable to the Government if it were to precede a provision for funding the debt, would become altogether unexceptionable after that had been made. Its effect would be in favor of the public creditors, as it would tend to raise the value of stock; and all the difference between its true value and the actual price would be so much clear gain to the public. The payment of foreign interest on the capital to be borrowed for this purpose, should that be a necessary consequence, would not, in the judgment of the Secretary, be a good objection to the measure. The saving, by the operation, would be itself a sufficient indemnity; and the employment of that capital, in a country situated like this, would much more than compensate for it. Besides, if the Government does not undertake this operation, the same inconvenience which the objection in question supposes, would happen in another way, with a circumstance of aggravation. As long, at least, as the debt shall continue below its proper value it will be an object of speculation to foreigners, who will not only receive the interest upon what they purchase, and remit it abroad, as in the case of the loan, but will reap the additional profit of the difference in value. By the Government's entering into competition with them, it will not only reap a part of the profit itself, but will contract the extent, and lessen the extra profit of foreign purchases. That competition will accelerate the rise of stock; and whatever greater

rate this obliges foreigners to pay for what they purchase, is so much clear saving to the nation. In the opinion of the Secretary, and contrary to an idea which is not without patrons, it ought to be the policy of the Government to raise the value of stock to its true standard as fast as possible. When it arrives to that point, foreign speculations (which, till then, must be deemed pernicious, further than as they serve to bring it to that point) will become beneficial. Their money, laid out in this country upon our agriculture, commerce, and manufactures, will produce much more to us than the income they will receive from it.

The Secretary contemplates the application of this money through the medium of a national bank, for which, with the permission of the House, he will submit a plan in the course of the session.

The Secretary now proceeds, in the last place, to offer to the consideration of the House his ideas of the steps which ought, at the present session, to be taken toward the assumption of the State debts.

These are, briefly, that concurrent resolutions of the two Houses, with the approbation of the President be entered into, declaring in substance:

That the United States do assume, and will, at the first session in the year 1791, provide, on the same terms with the present debt of the United States, for all such parts of the debts of the respective States, or any of them, as shall, prior to the first day of January, in the said year, 1791, be subscribed toward a loan to the United States, upon the principles of either of the plans which shall have been adopted

by them, for obtaining a reloan of their present debt.

Provided, that the provision to be made, as aforesaid, shall be suspended, with respect to the debt of any State which may have exchanged the securities of the United States for others issued by itself, until the whole of the said securities shall either be re-exchanged or surrendered to the United States.

And provided, also, that the interest upon the debt assumed, be computed to the end of the year 1791; and that the interest to be paid by the United States commence on the first day of January, 1792.

That the amount of the debt of each State, so assumed and provided for, be charged to such State in account with the United States, upon the same principles upon which it shall be lent to the United States.

That subscriptions be opened for receiving loans of the said debts, at the same times and places, and under the like regulations, as shall have been prescribed in relation to the debt of the United States.

The Secretary has now completed the objects which he proposed to himself to comprise in the present report. He has for the most part omitted details, as well to avoid fatiguing the attention of the House as because more time would have been desirable, even to digest the general principles of the plan. If these should be found right, the particular modifications will readily suggest themselves in the progress of the work.

The Secretary, in the views which have directed his pursuit of the subject, has been influenced, in the

first place, by the consideration that his duty, from the very terms of the resolution of the House, obliged him to propose what appeared to him an adequate provision for the support of the public credit, adapted at the same time to the real circumstances of the United States; and, in the next, by the reflection that measures which will not bear the test of future unbiassed examination, can neither be productive of individual reputation nor (which is of much greater consequence) public honor or advantage.

Deeply impressed, as the Secretary is, with a full and deliberate conviction that the establishment of the public credit, upon the basis of a satisfactory provision for the public debt, is, under the present circumstances of this country, the true desideratum toward relief from individual and national embarrassments; that without it these embarrassments will be likely to press still more severely upon the community; he cannot but indulge an anxious wish that an effectual plan for that purpose may during the present session be the result of the united wisdom of the Legislature.

He is fully convinced that it is of the greatest importance that no further delay should attend the making of the requisite provision: not only because it will give a better impression of the good faith of the country, and will bring earlier relief to the creditors, both which circumstances are of great moment to public credit, but because the advantages to the community, from raising stock, as speedily as possible, to its natural value, will be incomparably greater than any that can result from

its continuance below that standard. No profit which could be derived from purchases in the market, on account of the Government, to any practicable extent, would be an equivalent for the loss which would be sustained by the purchases of foreigners at a low value. Not to repeat, that governmental purchases to be honorable ought to be preceded by a provision. Delay, by disseminating doubt, would sink the price of stock; and, as the temptation to foreign speculations, from the lowness of the price, would be too great to be neglected, millions would probably be lost to the United States.

All of which is humbly submitted.

ALEXANDER HAMILTON,
Secretary of the Treasury.[1]

[1] There is probably no single State paper in the history of the United States, with the exception of the Emancipation Proclamation, which was of such immense importance, and produced such wide and far-reaching results as Hamilton's first report on the Public Credit. "Finance, my friend," said Gouverneur Morris to John Jay, "all that remains of the American Revolution grounds there." The public debt of that day, a trifle to the present generation, seemed to the country after the Revolution, a mountain which could not be removed. The wretched Confederacy went down to ruin on the financial difficulties. The Union was bankrupt and hastening to dissolution, while foreign powers gloated over the prospect of our coming destruction Hamilton met the question, grasped it, and solved the dire problem. In his first report he embodied the financial policy which organized and brought out our resources, rendered us strong and prosperous at home, established our credit, and made us respected in every money market in Europe. But the first report was far more than a vigorous and able piece of financiering. It was the corner-stone of the Government of the United States, and the foundation of the national movement. Hamilton saw in the debt and its proper treatment the means of binding together the States as a nation by the sure tie of a common interest. This was the end for which he labored. He converted the Constitution into a living organism, founded a policy on which a great party came into being, and, above and beyond all, brought into

To this report were appended several schedules.

A. Being a supposititious statement of accounts between the United States and individual States.

B. A general statement of the Foreign Loans, showing, in abstract, the capital sums borrowed, and the arrearages of interest, to the 31st of December, 1789.

C. Abstract of the Liquidated and Loan-Office Debt of the United States, on the 3d of March, 1789.

D. An estimate of all the interest which will accrue on the Domestic Debt of the United States, from its formation to 31st of December, 1790; of such partial payments as have been made on account thereof, and of the balance which will remain to be provided for, to pay up the interest fully to that period.

E. Abstract of the public debt of the States (therein) mentioned agreeably to accounts transmitted in pursuance of the resolution of the House of Representatives of the 21st of September, 1789.

F. Table, showing the annuity which a person of a given age would be entitled to, during life, from the time he should arrive at a given age, upon the present payment of a hundred dollars, computing interest at four per cent.

G. Table, showing what annuity would be enjoyed by the survivor of only two persons, of certain ages, for the remainder of life, after the determination of life in

vigorous life the national principle which has gone on strengthening and broadening through all our subsequent history. The most cursory reading of the report shows its simplicity, strength, lucidity, and condensation, as well as the masterly financial ability of its author. But to fully appreciate it we must look before and after. We must appreciate the anarchy of the Confederation, the chaotic opposition to order then existing, and contrast all this with the development of the United States which has followed. Studied in this way the first report on the Public Credit assumes its true proportions, and shows the great place which Hamilton fills in our history.

expectation, upon the present payment of one hundred dollars, computing interest at four per cent. per annum, and the duration of life, according to Dr. Halley's tables.

H. Table for a Tontine of Six Classes, the number of lives in each Class being indefinite, calculated on a payment of two hundred dollars by each subscriber, and at a rate of interest of four per cent. The computation on the best life in each Class, and on the supposition that the subscribers to each Class will not be less than the respective numbers specified in the first column.

I. General Estimate for the services of the current year.

K. Estimate of the probable product of the funds proposed for funding the debt, and providing for the current service of the United States, including the present duties on imports and tonnage.—*State Papers—Finance*, vol. i., pp. 26–37.

OPERATIONS OF THE ACT LAYING DUTIES ON IMPORTS

Communicated to the House of Representatives, April 23, 1790.

TREASURY DEPARTMENT, April 22, 1790.

In obedience to the order of the House of Representatives of the 19th day of January last, the Secretary of the Treasury respectfully submits the following report:

FIRST. *As to the act imposing duties on the goods, wares, and merchandise, imported into the United States.*

Section 1. The duties specified in this act, according to this section, took effect throughout the United States from and after the first day of August last.

But as the act for the collection of those duties did not pass till the last of July, it was of course impossible that the officers for carrying it into execution could be appointed, commissioned, and ready to enter upon the execution of their offices, at the day fixed for the commencement of the duties. The custom-houses in the several States were not organized till at different periods, from the fifth of August to some time in September; and in the intervals, several importations took place. In some instances, duties were paid under the State laws, in others none were paid.

The Secretary, conceiving it to be a clear point that the duties imposed by the first-mentioned act accrued as debts to the United States on all goods imported after the day specified for their commencement, and that the regulations prescribed by the collection law were to be considered merely as auxiliary guards for securing their payment, did not think himself at liberty, on grounds of convenience or inconvenience, to waive the claim for them. He has therefore caused it to be made, and has given directions, with a view to a legal decision of the question.

But it is worthy of consideration by the Legislature, whether it be advisable to pursue, or relinquish it. The payment of the duties in this situation has been generally unlooked for, and in most cases must be preceded by a legal determination. The enforcement of the claim would therefore be likely to be thought rigorous, and, in some instances, might be injurious—where merchants may have sold, without

reference in the price to the duty; where factors or agents may have settled accounts with, and paid over the proceeds of goods to, their principals, especially if transient persons; where duties have been paid under the State establishments; in these, and other cases, there might ensue loss or embarrassment. There must also be difficulty in ascertaining the sums which ought to be paid.

The distinctions between distilled spirits are conceived not to be sufficiently diversified or accurate. This has been remarked and a remedy proposed in the plan submitted to the House for the support of the public credit.

There is no general rate prescribed for estimating the draught and tare of those articles which pay duty by weight. The consequence is that different allowances are made at different places according to former usage, and too much is left to discretion.

Unwrought steel is rated at fifty-six cents for 112 lbs., which, upon an average of the cost, is less than five per cent. *ad valorem*. As an enumerated article, it is presumed to have been the intention of the Legislature to rate it higher than five per cent., especially as a higher rate would be in favor of the manufacture of it among ourselves, in which considerable progress has been made, particularly in the State of Pennsylvania.

The information received by the Secretary induces him to consider as questionable, the policy of the duty on pickled fish in its present extent. It is represented that almost the whole of what is brought from Nova Scotia to Massachusetts is re-exported;

and this chiefly to foreign countries. And that, while it forms a considerable article in an intercourse between those places beneficial to Massachusetts, it contributes to the augmentation of her exports.

If this be true it is difficult to discern any advantage in the duty. To the revenue there will be rather loss than profit; as the expense incident to the collection and to the process of the drawback will probably exceed the amount of the duty on the small quantity internally consumed, even taking into the calculation the one per cent. retained as an indemnification for that expense. In a commercial light, as far as it has any operation, it seems to be rather an unfavorable one. The process of paying and drawing back is not without inconveniences; and the unrefunded residue is a tax on the export trade in that article, from which, for the reason assigned, no benefit arises to the public; while the encouragement which it was the object of this regulation to give to the fisheries, loses in a great measure, its effect, by reason of the drawback. And it is suggested by intelligent men that an injurious competition in the branch of the fisheries to which the duty is applicable, is little to be apprehended.

The Secretary, however, does not conceive himself to be possessed with sufficient accuracy of all the facts necessary to a right judgment on this point to be willing to hazard a decisive opinion. He therefore only means to state the circumstances communicated to him, in expectation that the representatives from the part of the Union more immediately affected will

be able, by further lights, to guide the opinion of the House to a proper conclusion.

A discrimination is made by this section in favor of teas brought from China or India in American bottoms. The fifth section allows a discount of ten per cent. on all the duties imposed by this act on goods, wares, and merchandises imported in American bottoms. A question arises whether this discount ought to obtain in respect to the above-mentioned teas. The Secretary presumes, that the better construction is against the allowance, though within the letter of the provision; but an explanation is, perhaps, requisite, to obviate controversy.

All goods, wares, and merchandise, except teas, brought from China or India, otherwise than in American bottoms, are made liable to a duty of twelve and a half per cent. *ad valorem*. But in the clause immediately succeeding, all China ware is rated only at ten per cent. *ad valorem*. A doubt suggests itself whether this article be excepted out of the preceding provision, or be itself subject to an implied exception in favor of the full operation of that provision.

It is suggested that the encouragement intended to our East-India trade, by the duty of twelve and a half per cent. on India goods brought from China in foreign bottoms, will be counteracted by the want of a greater duty than is now laid on the same goods brought from Europe, as competition is more to be apprehended through that channel than from direct importations in foreign bottoms from India. While the Secretary deems it proper to bring this suggestion

into the view of the House, he forbears giving an opinion as to the weight it ought to have. He perceives various advantages in a direct commerce with the East Indies, and is hitherto inclined to believe it merits the patronage of the Government; but the tendency of it is not yet sufficiently developed, to his judgment, to leave him wholly without reserve as to the extent of the encouragement which ought to be given.

Commodities of our own growth or manufacture, carried to a foreign port, and brought back again to the United States, are, by this act, liable to duty. The tendency of this to discourage commercial enterprise recommends the expediency of an exemption upon due proof of identity.

The sea-stores of vessels, the furniture, clothing, and professional apparatus of persons arriving in this country from abroad seem equally liable to duties with goods brought by way of merchandise. They have been in several instances exacted; but the payment is usually accompanied with remonstrance and discontent. If it was not the intent of the Legislature to include such articles, an explanation is necessary. Various considerations plead for exempting them, under proper limitations.

Section 2. From this section it has been doubted whether there be, at present, any duty on hemp. And it has been inferred from the debates to have been the intention of the Legislature to exempt it till after the first of December, 1790; but the construction of the act is different. There is a duty on cotton, as well as hemp, to take place at a future

day. But cotton, in the meantime, is expressly excepted out of the five-per-cent. duty, which impliedly excludes hemp from the like exception. As the act now stands it will be a question, when the duty of sixty cents per hundredweight takes place, whether it be in addition to, or in lieu of, the present duty.

Section 3. Provision is here made for a drawback of the duties on goods exported within twelve months, with an exception of certain kinds of distilled spirits, and a deduction of one per cent.

But there is no provision for entries for exportation; whence it happens that a vessel arriving from a foreign port, with part of her cargo destined for the United States, and other part for some other country, is obliged to pay or secure the payment of the duties on her whole cargo; and in strictness, even to land such articles as require weighing, gauging, or measuring, in order to the ascertaining of the duties. This is complained of as a hardship, and is contrary to the prevailing usage of commercial nations. The Secretary is of opinion that the complaint is well founded, and that it is advisable that entries for exportation, with proper precautions and restrictions, should be authorized. The interests of the revenue can, with advantage, be consulted no further than they are consistent with the necessary freedom and felicity of commercial intercourse.

The allowance of drawbacks does not obviate the subject of complaint. The necessity of advancing the money, or procuring security for the amount of the duties; the necessity of landing those articles which require to be weighed, measured, or gauged

(which must in the first instance be submitted to), are material inconveniences; and the process for obtaining drawbacks is attended with difficulty, casualty, and trouble. There must be a bond given not to re-land the goods, and this bond must be cancelled by certain proofs, which may not, in all cases, be obtainable, but which are, nevertheless, made a pre-requisite to the payment of the drawbacks. Nor can that payment, at any rate, be had, till after the expiration of six months; so that, even where security is given for the amount of the duties, it must often happen that they become payable before parties can be prepared to demand the drawback; and the one per cent. retained is, in every case, a certain loss. These circumstances, to transient persons especially, operate as a grievance.

SECONDLY. *As to the act imposing duties on tonnage.*

The duties mentioned in this act are upon all ships or vessels entered into the United States.

The entry, therefore, is the circumstance which regulates the payment of the duty.

But a doubt has arisen whether the duty ought to be deemed to accrue on every entry, or only on entries from foreign countries.

The construction which has been adopted is, that it accrues on every entry, whether from abroad, or in one part of the United States from another.

One reason for this construction results from the second section, which provides that vessels built and owned in the United States, whilst employed in the coasting trade or fisheries, shall not pay tonnage

more than once a year. If the duty were confined to entries from abroad only, it could not arise at all on vessels employed in the coasting trade whilst so employed; in which case this provision would be wholly nugatory. The last clause of the twenty-third section of the "act for registering and clearing vessels, regulating the coast trade, and for other purposes," looks also to the same construction; strongly implying the payment of tonnage generally, between district and district, and enlarging the rate in a particular case.

Yet the third section of the act now under consideration has been supposed to have a different aspect, as it subjects all vessels, except those built within and owned by citizens of the United States, employed in transporting our own commodities, coastwise, to a tonnage of fifty cents at each entry; whence it has been inferred that, in other cases, the duty is not payable at each entry; because, by the first section, vessels wholly foreign pay fifty cents, whether employed in the coasting trade or not. But this inference loses its force when it is observed that there are other descriptions of vessels, in respect to which it serves to increase the rates specified in the first section, in favor of the exclusive privilege, to transport our own commodities coastwise, intended to be secured to vessels built within and owned by citizens of the United States. This suggests a use for the clause which is reconcilable with the provision in the second section.

The provisions of this act, however, appear to be varied by the "act for registering and clearing

vessels, regulating the coasting trade, and for other purposes," in these particulars. The latter extends the privileges in the coasting trade, which, by the former, seem to be confined to vessels of the build of the United States, to all vessels which are registered or enrolled, provided they obtain licenses for the purpose. It also extends the duty of fifty cents to the transportation of foreign (as well as domestic) commodities, from district to district, by any vessel of the burthen of twenty tons and upward, which has not a register or enrolment, and a license to trade.

Hence, if even a registered vessel, having no license, proceed from one district, with part of an outward bound cargo, to another district, in order to procure the remainder, and happen to take in a freight at the first place for the last, which amounts to a trading between the districts, she is subject on her entry in the last to foreign tonnage.

The propriety of this construction has been questioned; but a consideration of the general spirit of the coasting act, which aims at guarding the revenue against evasion, by the precautions annexed to the granting of licenses, and an accurate attention to the words of the last clause of the twenty-third section of that act, seem to leave no room for a different construction. These words are: "And if any vessel of the burthen of twenty tons or upward, not having a certificate of registry or enrolment, and a license, shall be found trading between different districts, or be employed in the bank or whale fisheries, every such ship or vessel shall be subject to the same tonnage and fees as foreign ships or vessels."

This provision, for want of having been understood in the proper sense, has, in a variety of instances, borne hard upon individuals who have omitted to procure licenses, and whose vessels have been, on that account, subjected to foreign tonnage. It is submitted to the consideration of the House, whether restitution of the sums paid, through misapprehension of a new law, would not be equitable in itself, and calculated to give a favorable impression of the liberality of the Government.

Perhaps, indeed, the expediency of the regulation itself merits reconsideration. The necessity of paying tonnage at all, in going from one district to another, has been a subject of complaint. And it is certain that it has in many cases been a burthensome operation. It would appear to the Secretary, upon the whole, eligible, that, upon entries from district to district, tonnage should in no case be demanded, except where a freight had been taken in at one district for another; and that even there in respect to vessels registered, but not licensed, half tonnage only should be paid.

THIRDLY. *As to the act to regulate the collection of the duties imposed by law on the tonnage of ships or vessels, and on goods, wares, and merchandise imported into the United States.*

Sections 1, 2, 3, and 4. The arrangement of the districts, the privileges granted to some ports, the restrictions upon others, have been represented in a few instances as requiring alteration. The Secretary is inclined to think that some of the representations

made to him will deserve attention; but, as he presumes that the course of business will lead to the appointment of a special committee to prepare a bill for amending the laws under consideration, there are reasons which, with the permission of the House, would induce him to reserve a more particular communication on this part of the subject for that committee.

Section 5. This section contemplates a provision of boats for securing the collection of the revenue; but no authority to provide them is anywhere given. Information from several quarters proves the necessity of having them; nor can they, in the opinion of the Secretary, fail to contribute, in a material degree, to the security of the revenue, much more than will compensate for the expense of the establishment; the utility of which will increase in proportion as the public exigencies may require an augmentation of the duties. An objection has been made to the measure as betraying an improper distrust to the merchants; but that objection can have no weight when it is considered that it would be equally applicable to all the precautions comprehended in the existing system; all which proceed on a supposition, too well founded to be doubted, that there are persons concerned in trade in every country, who will, if they can, evade the public duties for their private benefit. Justice to the body of the merchants of the United States demands an acknowledgment that they have, very generally, manifested a disposition to conform to the national laws, which does them honor, and authorizes confidence in their probity. But every

considerate member of that body knows that this confidence admits of exceptions, and that it is essentially the interest of the greater number that every possible guard should be set on the fraudulent few, which does not, in fact, tend to the embarrassment of trade.

The following is submitted as a proper establishment for this purpose:

That there be ten boats, two for the coasts, bays, and harbors of Massachusetts and New Hampshire; one for the sound, between Long Island and Connecticut; one for the bay of New York; one for the bay of Delaware; two for the bay of the Chesapeake (these, of course, to ply along the neighboring coasts); one for the coasts, bays, and harbors of North Carolina; one for the coasts, bays, and harbors of South Carolina; and one for the coasts, bays, and harbors of Georgia.

Boats of from thirty-six to forty feet keel will answer the purpose, each having one captain, one lieutenant, and six mariners, and armed with swivels. The first cost of one of these boats, completely equipped, may be computed at one thousand dollars.

The following is an estimate of the annual expense:

10 Captains . .	at 40 dollars per month,	$4,800
10 Lieutenants . .	at 25 " " "	3,000
60 Seamen . . .	at 8 " " "	5,760
Provision		3,000
Wear and tear		2,000
		$18,560

The utility of an establishment of this nature must depend on the exertion, vigilance, and fidelity of those to whom the charge of the boats shall be confided. If these are not respectable characters they will rather serve to screen than detect fraud. To procure such, a liberal compensation must be given, and, in addition to this, it will, in the opinion of the Secretary, be advisable that they be commissioned as officers of the navy. This will not only induce fit men the more readily to engage, but will attach them to their duty by a nicer sense of honor.

Section 6. Collectors are here authorized, in case of necessary absence, sickness, or inability, to appoint deputies. It is represented that inconveniences have arisen from the want of the like power in the naval officers and surveyors.

Section 7. Provision is here made for the case of the disability or death of the collector, but not of the naval officer or surveyor. A similar provision, with respect to them, appears to be not less requisite.

Section 10. The provision of this section seems to extend too far. It is conceived that it ought to be confined to vessels owned wholly, or in part, by citizens of the United States; as it is not supposable that those of other nations can be acquainted with a regulation so entirely local in its nature, or be prepared to comply with it. There is also want of a penalty to enforce its observance.

This regulation has been represented as inconvenient and useless, but the Secretary does not view it in this light. It is probable that it will contribute to the security of the revenue, by rendering more diffi-

cult those collusions between masters and owners, which often take place after the arrival of vessels upon the coast, or within port.

Section 11. Masters of vessels, within forty-eight hours after their arrival in any port of the United States, are to make report. It is not explained whether they are not at liberty in the meantime to proceed elsewhere. The construction of the officers of the customs, in several instances, has been in favor of such liberty. But this construction does not appear to the Secretary well founded. He conceives that the duties become payable by the act of importation, even previously to entry, and that the forty-eight hours are only allowed as a reasonable time for the master to prepare his report; after which he is to be subject to a penalty for not doing it. An explanation, however, may prevent disputes.

It is also submitted, whether masters ought not to be required, within twelve hours after their arrival, to announce it at the custom-house, and to complete their report within twenty-four, with an exception for Sundays. It is of moment that vessels arriving should be brought as speedily as possible under the notice of the proper officers, and that their situation should be ascertained as early as practicable. More time than is necessary for disclosing it with proper accuracy can be of no real use, and gives greater opportunity for concerting frauds.

In the oath here prescribed for masters of vessels, there is no view to those casualties which may cause the cargo to be diminished at sea. There ought to be room for making the proper exceptions, according

to the circumstances. And it would be useful to make it a part of the oath, that any goods afterwards discovered on board shall be reported; as in the case of importers or consignees.

Section 12. It is here declared that no goods shall be unladen but in open day. It would be more safe, as well as more certain, to fix particular hours for the purpose, according to different seasons of the year. And it is submitted, whether all lading, as well as unlading of goods, at other hours, unless by special license from the officers of the customs, ought not to be forbidden. If, in addition to this, masters of vessels were required to give previous notice to the officers assigned to their respective vessels, of the times when deliveries are intended to begin, it would afford an increase of security.

This section contains various penalties on persons concerned in unlading and removing goods without the requisite permits. It would be a most powerful check upon fraud if every master of a vessel concerned in one, should, on conviction, be disqualified, under competent penalties, from having at any time after the command or charge of a vessel within the United States. There are, however, objections of weight to such a provision.

Section 13. The effect of this section is to oblige the payment or securing of the duties on all the goods brought in any vessel, at the port at which she first arrives, though part of them be destined for another, either within the United States, or elsewhere. This regulation is a subject of complaint. Its inconvenience becomes the more apparent, when it is

considered that all the goods intended for another port must first be landed (and certain articles measured, weighed, or gauged), and afterward reshipped. The trouble, expense, and delay of such a process are serious obstructions to trade. Balancing its commercial inconveniences with the additional security which it may afford to the revenue, the Secretary is of opinion that an alteration is advisable. It should be incumbent upon the master of the ship to make report, at the first port, of the whole cargo on board, upon oath, distinguishing the particular goods intended for each port; and also to make oath, at every subsequent port, of the particulars of the goods landed at any preceding one, and of the persons to and for whom they were delivered; producing also certificates from the proper officers, of the whole quantity of the goods originally entered, and of so much as may have been regularly landed. A power of securing, with proper fastenings, the hatches and other communications with the holds of ships; providing for accidents and necessity; and even, if judged requisite, to put an inspector on board, in going from one port to another, ought to be superadded.

No person but the owner or consignee of goods can make the entry here required. This, from the absence of parties, is sometimes inconvenient. It is the practice of countries, whose regulations are not deficient in strictness, to allow an agent of the party to make entry in his absence. And though this may widen the door for evasion, there are, nevertheless, strong arguments, derived from convenience,

in its favor. Penalties, proportionably severe, may be inflicted upon fraud committed by any such agent, and the permission may be confined to the case of persons absent at the time of the arrival of the vessel in which the goods may have been brought.

The oath here directed to be taken by importers is not always in their power. There may be no invoice, nor any other accurate account of the quantity, quality, or cost of articles. A qualification in this respect is indispensable. Entries, without specifying particulars, must, of necessity, be admitted; parties swearing that they have received no account of them, and that they are unknown. An eye is had to this in the sixteenth section, but something is wanting to reconcile the two sections, and define a more accurate course of proceeding in the case.

Section 15. Inspectors are to be put on board vessels, who are to remain on board until they are discharged. This implies during the night as well as the day; which, if practised, would multiply the number of inspectors to a very expensive extent. A power of securing the hatches and other communications with the holds of vessels, during the night, would give greater security, where inspectors were kept constantly on board, and would, in many instances, obviate the necessity of doing it.

The unloading of a vessel is here limited to fifteen working days after she begins to unload. But the commencement of the business may be postponed as long as the parties interested think fit. If there should be considerable delay, either an inspector

must remain on board the whole time, in which case the expense may exhaust the duty, or there must be great opportunity for fraud. It seems proper, either to fix an ultimate limit for unloading, to be computed from the time of arrival, or of the master's report; or a period, after which, the expense of an inspector shall be borne by the party. The first appears to the Secretary most advisable, and he conceives that twenty working days, after the master's report, would suffice.

Section 19. The payment or securing of the duties is here made a preliminary to their being landed. This, in a strict sense, is impracticable, as certain articles must first be landed, weighed, gauged, or measured, before the duties can be ascertained. The object, however, of the provision is proper, and it must be construed to admit a gross estimate of the sum in the first instance, subject to after-revision. It would, however, be desirable, that a discretion of this sort should be expressed. The collector, together with the naval officer, where there is one, or alone, where there is none, may be authorized to determine the amount of the duties to be paid, by an estimate of the same, according to the best of their or his judgment, and the collector may be empowered, in case of an over-estimate, either to return the excess, if the money has been paid, or to endorse a credit for it on the bond.

A discount of ten per cent. is here allowed for prompt payment, on the excess of any sum of duties beyond fifty dollars. The policy of this discount is questionable. Experience shows that, in most of

the States, transient persons chiefly avail themselves of it, who would in most cases pay the money without the discount, to avoid the inconvenience of suretyship.

But even if the discount ought to be continued, the rate seems to be too high. It exceeds the rate of interest at which the Government may borrow, more than is equivalent for the insurance of the risk of non-payment. Seven per cent. would, in the judgment of the Secretary, be the extent of a proper allowance. The confining the discount to the excess beyond fifty dollars counteracts the provision wherever that excess is not considerable.

It is provided by the last clause of this section, that no person, whose bond is unsatisfied after it becomes due, shall have a future credit with the collector until it shall be discharged. The words "the collector," having been supposed to confine the non-allowance of credit to the particular collector to whom the bond was given; in which sense, a further credit may be had in another district; which would considerably lessen the utility of the regulation. The removal of this ambiguity, so as to render the exclusion general, may add to the efficacy of the provision.

Section 29. The compensations to the officers established by this section require revision; they are, in many instances, inadequate; in some, disproportionate. Resignations in consequence of it have taken place, and others are suspended on the expectation of a favorable alteration during the present session. It is certain that competent allowances

are essential to the idea of having the service performed by characters worthy of trust. And how much the security of the revenue depends on this is evident. There are many ports where the officers receive next to nothing for their services. It were superfluous to comment on the inexpediency of such a state of things.

The Secretary for the sake of brevity, begs leave to reserve the details on this head for the committee before alluded to.

It has been inferred from this section, that the collector and naval officer are, necessarily, to transact their business in separate apartments. This (if it be the design of the provision from which the inference is drawn) was, probably, founded upon the idea, that the separation would lessen the danger of collusion between those officers. But it does not seem likely that a circumstance of this sort could have much effect in that way, while the separation leaves a good deal more in the power of the collector, and renders the naval officer far less a check upon him, than if he were made an immediate witness to his transactions. The Secretary is of opinion that it would be preferable to require them to act in conjunction, and in the presence of each other, among other things, jointly administering and certifying all oaths required to be taken at the custom-houses.

Section 30. This section provides for the receipt of the duties in gold and silver coin only. The Secretary has considered this provision as having for object, the exclusion of payments in the paper emissions of the particular States, and the securing the

immediate or ultimate collection of the duties in specie, as intended to prohibit to individuals the right of paying in any thing except gold or silver coin; but not to hinder the treasury from making such arrangements as its exigencies, the speedy command of the public resources, and the convenience of the community might dictate; those arrangements being compatible with the eventual receipt of the duties in specie. For instance, the Secretary did not imagine that the provision ought to be so understood as to prevent, if necessary, an anticipation of the duties, by treasury drafts, receivable at the several custom-houses. And, if it ought not to be understood in this sense, it appeared to him that the principle of a different construction would extend to the permitting the receipt of the notes of public banks, issued on a specie fund. Unless it can be supposed, that the exchanging of specie, after it has been received for bank notes, to be remitted to the treasury, is also interdicted, it seems difficult to conclude that the receipt of them, in the first instance, is forbidden.

Such were the reflections of the Secretary with regard to the authority to permit bank notes to be taken in payment of the duties. The expediency of doing it appeared to him to be still less questionable. The extension of their circulation, by the measure, is calculated to increase both the ability and the inclination of the banks to aid the Government. It also accelerates the command of the product of the revenues for the public service, and it facilitates the payment of the duties. It has the first effect, be-

cause the course of business occasions the notes to be sent beforehand to distant places; and being ready on the spot, either for payment or exchange, the first post, after the duties become payable, or are received, conveys them to the treasury. The substitution of treasury drafts, anticipating the duties, could hardly be made without some sacrifice on the part of the public. As they would be drawn upon time, and upon the expectation of funds to be collected, and, of course, contingent, it is not probable that they would obtain a ready sale, but at a discount, or upon long credit. As they would also be more or less liable to accident, from the failure of expected payments, there would be continually a degree of hazard to public credit. And, to other considerations, it may be added, that the practice of anticipations of this kind is, in its nature, so capable of abuse as to render it an ineligible instrument of administration in ordinary cases, and fit only for times of necessity.

If the idea of anticipation should be excluded, then the relying wholly upon treasury drafts would be productive of considerable delay. The knowledge that the funds were in hand must precede the issuing of them. Here would of course be some loss of time. And as the moment of demand, created by the course of business, would frequently elapse, there would as frequently be a further loss of time in waiting for a new demand. In such intervals, the public service would suffer, the specie would be locked up, and circulation checked. Bank notes being a convenient species of money, whatever increases

their circulation, increases the quantity of current money. Hence, the payment of duties is doubly promoted by their aid; they at once add to the quantity of medium, and serve to prevent the stagnation of specie.

The tendency of the measure to lessen the necessity of drawing specie from distant places to the seat of Government results from the foregoing considerations. The slow operation of treasury drafts would frequently involve a necessity of bringing on specie, to answer the exigencies of government; the avoiding of which, as much as possible, in the particular situation of this country, need not be insisted upon.

But, convinced as the Secretary is of the usefulness of the regulation, yet, considering the nature of the clause upon which these remarks arise, he thought it his duty to bring the subject under the eye of the House. The measure is understood by all concerned to be temporary.

Indeed, whenever a National Bank shall be instituted, some new disposition of the thing will be a matter of course.

Sections 31 and 32. The provision, in these sections, respecting drawbacks, seems to require revision in several particulars.

The benefit of it is intended for any person by whom the goods may be exported, whether that person be the importer of them or another; and yet the oath to be taken by the exporter is of such a nature as must be very difficult to any but the importer. It declares, that the goods are, in quantity, quality, and value, according to the inward entry of them,

which was duly made at the time of importation—a fact, which, it is evident, can rarely be known to any but the person who made that entry. This must, therefore, occasion either difficulty in obtaining the drawback, or a kind of constructive swearing, inconsistent with that scrupulous strictness which ought ever to accompany an oath, and on which the security they are intended to afford must depend. To obviate both, it seems necessary to direct, that proof of the fact shall be made, to the satisfaction of the collector, by the oaths or affirmations of all the parties through whose hands the goods may have passed; in which case, each can be examined as far as his knowledge can be presumed to extend.

There is no rule prescribed for regulating the sum in which bonds shall be taken; whence there is, perhaps, too much left to the discretion of the officers. And the cancelling of the bond is made to depend, among other things, upon the oath or affirmation of the master and mate of the vessel, in which the goods are exported, attesting their delivery: a requisite which it may not always be possible to fulfil. The master or mate may die, or may quit the vessel from different causes, without complying with it. These circumstances seem to require some other modifications. The Secretary has had an eye to them in the draught of the bill accompanying his report of the ninth of January last; to which he begs leave respectfully to refer.

Section 40. This section provides that no goods, wares, or merchandise, of foreign growth or manufacture, subject to the payment of duties, shall be

brought into the United States, otherwise than by sea, and in ships or vessels of not less than thirty tons' burthen; with an exception as to the district of Louisville, and another, as to vessels, at the time of the passing of the act, on their voyage.

It is a matter which merits particular consideration, whether there ought not, also, to be an exception in regard to the most easterly district of the State of Massachusetts. The situation of that district is, in different views, peculiar, so as, perhaps, to render it advisable rather to endeavor to regulate, than to prevent the introduction of foreign articles in smaller vessels. The information received on this point will, also, with the leave of the House, be reserved for the committee before referred to.

FOURTHLY. *As to the "act for registering and clearing vessels, regulating the coasting trade, and for other purposes."*

Many of the provisions of this act are objected to, particularly those parts which relate to the coasting trade and fisheries; and yet, it must be confessed, that the proper remedies or alterations are neither obvious nor easy. The more the matter is examined, the more difficult it appears to reconcile the convenience of those branches of trade with due precautions for the security of the revenue.

Section 2. The idea of this section is, that every vessel shall be registered by the collector of the district to which she belongs. This regulation is a proper one, as a knowledge of the persons on whose oaths or affirmations the registries are to be founded

by the officer making them, is a security against imposition. But this provision seems to be contravened by that of the seventh section, as will be noted hereafter.

Section 3. This section directs the mode of ascertaining the tonnage of all ships or vessels.

It is, however, a question whether it means only those which are to be registered, in order to their registry, or extends to others, in order to computing the tonnage duty. The latter construction has been preferred, for the sake of equality and uniformity.

The mode of admeasurement prescribed, has been complained of, as unfavorable to certain kinds of vessels, and as tending to enlarge the tonnage beyond the standard of other countries.

Section 6. Objections are made to the form of the oath prescribed by this section. The party is to swear positively, to the place where the vessel was built (which, in a great number of cases cannot, with propriety, be done), and, also, to the citizenship, not only of himself, but of the other owners, and of the master (which, in many cases, must be equally difficult).

Inconveniences are experienced from the want of a rule for determining who are citizens. The consequence of it is that every man is left to his own opinion of what constitutes one, and it is represented that there are instances in which persons of reputation, supposing that residence only conferred the character, have been ready to take the oath prescribed.

A designation of the several descriptions of persons entitled to the privileges of citizens under this act, requiring that the particular one, under which each falls, should be inserted in his oath, would be the most effectual guard against error or imposition. If this should be thought to be attended with too many difficulties, from our peculiar situation, it may, at least, be proper to annex some adequate pecuniary penalty to the obtaining of registers by persons not citizens, and to oblige all who apply to specify, in their oaths, by what title they are citizens—that is, whether by nativity, naturalization, or otherwise, which, by bringing into view the situation of each person, would serve as a useful check.

In these observations it is taken for granted that, as the law now stands, the oath of the party is the sole guide to the officers of the customs; that they have not any discretion in the case, and that a power in them to judge of the qualifications of individuals, in so important a respect, could not, with propriety, be established.

Section 7. The second section, as already remarked, directs that vessels be registered in the districts to which they belong. This admits their registry wherever they may be, provided the oath required be taken before the collectors of the district to which they belong. It is conceived that an adherence to the principle of the second section, throughout, would conduce to security. And it is, therefore, submitted, whether, instead of the provision in this section, it would not be advisable to provide that, when a vessel, being in a district other

than that to which she belongs, has occasion to be registered, she shall be surveyed under the direction of the proper officer of the port where she may happen to be, and registered by the collector of the district to which she may belong, upon a certificate of the officer by whom such survey shall have been made.

Section 11. The declaring the instrument of transfer void, unless the register be recited in it, involves an embarrassing question, as to the property of the vessel, and does not seem necessary to the object in view. The subsequent part of the section, which annuls the privileges of an American bottom, without such recital, answering alone the purpose of the provision.

Section 12. If, in the oath on which the registry is founded, it be necessary to declare that the master is a citizen, it would seem equally necessary that, on a change of master, there should be a like attestation of his citizenship, previous to the endorsement herein directed to be made, as, otherwise, a citizen may be the master one day, a foreigner the next.

Section 13. There would be less room for imposition if, instead of allowing the collector of the port where the vessel might be to grant a new register, he were authorized merely to take the oath prescribed, in order to its transmission to the collector of the district where she might belong, making it the duty of the latter to issue the new register.

Section 22. This section commences the regulations respecting vessels employed in the coasting trade and fisheries. The proviso of it exempts all licensed vessels, under twenty tons, from clearing

and entering, and in its consequences, removes them, almost wholly, from the inspection of the officers of the customs. The tendency of this to facilitate smuggling is obvious, as these vessels are precisely of that kind which would be most naturally employed in clandestinely unlading, on the coast, those which arrive from abroad. The bond required, in order to a license, is a very slender restraint, not only from the smallness of the penalty, but from the little danger of discovery. And the oath is still less effectual, because the master who is to take it may at any time be changed before the application for a new license. This oath, too, is exceptionable on other accounts. The anticipation of a future and distant oath may be too apt to give way to the allurements of immediate interest; and if a breach of the law have been committed when it is to be taken, it is hardly to be expected that there will be a strict adherence to truth at the price of incurring both disgrace and loss.

It would, perhaps, be more effectual and less exceptionable if, instead of this oath, one should be required, previous to the granting of any license to a fishing or coasting vessel, from the owner or owners of such vessel, that she shall not, during the time for which it is to be granted, be employed, with his or their permission, consent, sufferance, privity, or connivance, in any way whereby the payment of the duties imposed by law on articles imported into the United States may be evaded.

But it seems indispensable toward guarding against the frauds which may be committed by coasters that they should be obliged, at every port or place where

there is an officer of the customs, to report themselves and their lading, on their arrival, and previous to their departure. For this purpose, the office hours ought to be so regulated and extended as to afford the greatest possible accommodation, and avoid occasions of delay. With this precaution and taking care that the fees are moderate, it is presumable that coasters may be subjected to a pretty exact inspection without injuriously impeding their business.

While they ought, in the opinion of the Secretary, to be thus subjected to a strict supervision at places where there are officers, it appears to him proper that they should be exempted from the obligation either of entering or clearing when at places where there are none. The necessity of journeys to distant offices, frequently across rivers and bays, and at the expense of the loss of favorable winds, occasions, in some parts of the Union, serious obstructions to the coasting trade. As connected with the idea, it would tend to the security of the revenue if a discretion were allowed to appoint inspectors at places which are not ports of general entry or delivery, for the purpose of entering, clearing, and overseeing coasters.

Section 23. In the remarks on the act imposing duties on tonnage, the construction which has obtained upon the last clause of this section has been stated, together with the hardships which have ensued to individuals from misapprehension of it.

A different modification of the provision has also been suggested. Among other reasons to be assigned for it is this: that, by obliging all registered

vessels to take out licenses, it unnecessarily increases the number of vessels entitled to the privileges of coasters. In the opinion of the Secretary, these ought to be confined to such as are ordinarily employed in the coasting and fishing trade; to effect which it may be proper that previous to the granting of any license an oath or affirmation should be made that the vessel for which it is required is, *bona fide*, intended to be employed as a coasting or fishing vessel during the period for which it is to be granted, or the greater part of it; and even to annex a penalty to the taking out a license for any vessel which shall not be so employed. This, in respect to fishing vessels, seems peculiarly necessary, as it is easy to see that on the pretext of that employment licenses may be perverted from their real purpose to that of a mere cover for illicit practices.

There is no provision for the case of a change of property within the year, for which a license may be granted, which sometimes occasions sureties to be bound for parties they did not contemplate. This, and the repetition of tonnage duty, which is a consequence of it, is regarded as an inconvenience, requiring to be remedied by a provision for the granting new licenses, when such changes happen, upon new security for the remainder of the year.

Sections 27 and 28. As there are no particular penalties annexed to a non-compliance with the requisites of these sections, it has, of course, been found in some instances difficult to enforce their execution. And though it is presumed that such non-compliance would be a good probable cause of

seizure, yet if, in the event of a trial, it turned out in one case that there were no foreign goods nor ardent spirits exceeding four hundred gallons on board; and in the other, that a manifest and permit had been obtained, and that no goods were on board but such as they had specified, no penalty could be inflicted. And a vexatious litigation between the officer and the party might be the only fruit of the seizure.

It is inferred from the last of these sections that a coaster whose ultimate destination is for a place where a collector or surveyor resides, having on board goods for any intermediate place, is not at liberty to land those goods at such intermediate place till after a permit for landing shall have been obtained at the place of destination; which is complained of as a grievance, and certainly is attended, in many cases, with considerable inconvenience. A relaxation in this respect, may be advisable. And to guard as much as possible against any ill effects from it, it may be expedient that, whenever a coaster arrives at a port where a collector or surveyor resides, it should be incumbent upon the master of her to make a report in writing, and upon oath, stating the goods on board at the time of her departure from the last port left by her at which a collector or surveyor presided, and which may have been afterwards taken in or delivered prior to her arrival at the place of report. In this case, to avoid a too great multiplication of oaths, the oaths required by the 25th and 26th sections may be dispensed with; though it will be still useful that the manifests should be exhibited and certified.

Section 31. The Secretary, considering it as an essential rule that emoluments of office should not be extended by construction or inference beyond the letter of the provision, lest a door should be opened to improper exactions, has instructed the officers of the customs to govern themselves by a literal interpretation of the several clauses of this section; the consequence of which, however, is that equal services are unequally recompensed.

This chiefly arises from that clause which allows a fee of sixty cents.

"For every entry of inroad cargo, directed to be made in conformity with this act, and for receiving of, and qualifying to, every manifest of vessels, licensed to trade as aforesaid."

The entry and the receiving and qualifying to a manifest being joined together by the word *and*, are understood as one service, to which a fee of sixty cents is attached; so that, when only either of the two things is performed, and not the other, no fee is taken.

Hence there is no allowance for swearing the master to his manifest, and granting a certificate of its having been done according to the twenty-fifth and twenty-sixth sections of this act, because it is not accompanied in either case with an inward entry. Twenty cents for the permit to proceed to the place of destination is the only fee understood to be demandable for the services specified in these sections.

The sixty cents are deemed applicable only to the services enjoined by the twenty-seventh section.

A revision of this section will upon accurate ex-

amination be found eligible for other reasons, which for the sake of brevity are omitted.

The foregoing are the principal remarks which occur on the provisions of the several acts, on which the Secretary has been directed to report. These acts have fulfilled their objects in all respects as well as could reasonably have been expected from the first essay on so difficult a subject. It was foreseen that experience would suggest the propriety of corrections in the system, and it is equally to be inferred that further experiment will manifest the expediency of further correction. The work must be progressive, since it can only be by successive improvements that it can be brought to the degree of perfection of which it is susceptible.

As connected with the difficulties that have occurred in the execution of the laws, which is the subject of this report, the Secretary begs leave, in the last place, to mention the want of an officer in each State, or other considerable subdivision of the United States, having the general superintendence of all the officers of the revenue within such State or subdivision.

Among the inconveniences attending it, is a great difficulty in drawing from the more remote ports the moneys which are there collected. As the course of business creates little or no demand at the seat of Government, or in its vicinity, for drafts upon such places, negotiations in this way are either very dilatory or impracticable; neither does the circulation of bank paper, from the same cause, extend to them.

This embarrassment would be remedied by having one person in each State, or in a district of the United States of convenient extent, charged with the receipt of all the moneys arising within it, and placed in point of residence where there was the greatest intercourse with the seat of Government. This would greatly facilitate negotiations between the treasury and distant parts of the Union, and would contribute to lessening the necessity for the transportation of specie.

But there are other reasons of perhaps still greater weight for the measure. It is, in the opinion of the Secretary, essential to a due supervision of the conduct of the particular officers engaged in the collection of the revenues, and to the purposes of exact and impartial information, as to the operation of the laws which relate to them. It is impossible that the first end can be answered by any attention or vigilance of an individual, or individuals, at the head of the treasury. Distance and the multiplicity of avocations are conclusive bars. And, however it may appear at first sight, that the second end may be attainable from the communications of those particular officers, yet, when it is considered how apt their representations will be to receive a tint from the personal interests of the individuals, and the local interests of districts, it must be perceived that there cannot always be sufficient reliance upon them, and that variances between them will not unfrequently serve rather to distract than to inform the judgment. Greater impartiality and, of course, better information may be expected from an officer who,

standing in the same relation to a larger district, composed of several smaller districts, will be more likely to be free from the influence either of personal interests or local predilections, in reference to the parts.

The Secretary begs leave, with the utmost deference, to say that he considers an arrangement of this kind as of real importance to the public service and to the efficacious discharge of the trust reposed in him.

All which is humbly submitted.

ALEXANDER HAMILTON,
Secretary of the Treasury.

ARREARS OF PAY [1]

Hamilton to Washington

(Cabinet Paper).

TREASURY DEPARTMENT, May 28, 1790.

The Secretary of the Treasury conceives it to be his duty most respectfully to represent to the

[1] A petition signed by officers and soldiers of the Virginia and North Carolina lines had been presented to Congress asking for payment of arrears due them, but which they had assigned. Joint resolutions were thereupon passed by Congress ordering the Secretary of the Treasury to pay these arrears, and that where payment had not been made to the original claimants it should now be made to them. Hamilton, in this able report, advised the President to veto these resolutions on the ground that they violated the rights of the assignees, and thereby impaired the obligation of contract. Jefferson gave an opposite opinion, resting it on the common law doctrine that the conveyance of a debt not in possession was void, a bill of exchange and notes and bonds being the only exceptions. This doctrine had never been adopted in equity, but, nevertheless, Jefferson urged Washington to approve the measure on this narrow theory, and the President accepted his view and decided against Hamilton.

President of the United States that there are in his judgment objections of a very serious and weighty nature to the resolutions of the two Houses of Congress of the twenty-first instant, concerning certain arrears of pay, due to the officers and soldiers of the lines of Virginia and North Carolina.

The third of these resolutions directs that in cases where *payment* has not been made to the original claimant in person, or to his representative, it shall be made to the original claimant, or to such person or persons only as shall produce a power of attorney duly attested by *two justices* of the peace of the county in which such person or persons reside, authorizing him or them to receive a certain specified sum.

By the laws of most if not all the States, claims of this kind are in their nature assignable for a valuable consideration; and the assignor may constitute the assignee his attorney or agent to receive the amount. The import of every such assignment is a contract, express or implied, on the part of the assignor, that the assignee shall receive the sum assigned to his own use. In making it no precise form is necessary, but any instrument competent to conveying with clearness and precision the sense of the parties, suffices; there is no need of the co-operation of any justice of the peace, or other magistrate whatever.

The practice of the Treasury and of the public officers in other departments, in the adjustment and satisfaction of claims upon the United States, has uniformly corresponded with the rules of that law.

A regulation, therefore, having a retrospective

operation, and prescribing with regard to past transactions new and unknown requisites, by which the admission of claims is to be guided, is an infraction of the rights of individuals, acquired under pre-existing laws, and a contravention of the public faith, pledged by the course of public proceedings. It has consequently a tendency not less unfriendly to public credit than to the security of property.

Such is the regulation contained in the resolution above referred to. It defeats all previous assignments not accompanied with a *power of attorney* attested by *two justices* of the peace of the *county* where the assignor resides; a formality which, for obvious reasons, cannot be presumed to have attended any of them, and which does not appear to have been observed with respect to those upon which application for payment has hitherto been made.

It is to be remarked that the assignee has no method of compelling the assignor to perfect the transfer by a new instrument in conformity to the rule prescribed; if even the existence of such a power, the execution of which would involve a legal controversy, could be a satisfactory cause for altering by a new law that state of things which antecedent law and usage had established between the parties.

It is, perhaps too, questionable whether an assignee, however equitable his pretensions were, could, under the operation of the provision which has been recited, have any remedy whatever for the recovery of the money or value which he may have paid to the assignor.

It is not certain that a legislative act decreeing

payment to a different person, would not be a legal bar; but if the existence of such a remedy were certain, it would be but a very inconclusive consideration. The assignment may have been a security for a precarious or desperate debt, which security will be wrested from the assignee; or it may have been a composition between an insolvent debtor and his creditor, and the only resource of the latter; or the assignor may be absent and incapable either of benefiting by the provision, or of being called to an account. And in every case the assignee would be left to the casualty of the ability of the assignor to repay; to the perplexity, trouble, and expense of a suit at law. In respect to the soldiers, the presumption would be, in the greater number of cases, that the pursuit of redress would be worse than acquiescence in the loss. To vary the risks of parties, to supersede the contracts between them, to turn over a creditor without his consent from one *debtor* to *another*, to take away a right to a *specific thing*, leaving only the chance of a remedy for retribution, are not less positive violations of property than a direct confiscation.

It appears from the debates in the House of Representatives, and it may be inferred from the nature of the proceeding, that a suggestion of fraud has been the occasion of it. Fraud is certainly a good objection to any contract, and where it is properly ascertained invalidates it. But the power of ascertaining it is the peculiar province of the Judiciary Department. The principles of good government conspire with those of justice to place it there. 'T is there

only that such an investigation of the fact can be had as ought to precede a decision. 'T is there only the parties can be heard, and evidence on both sides produced; without which *surmise* must be substituted to *proof*, and *conjecture* to *fact*.

This, then, is the dilemma incident to legislative interference. Either the Legislature must erect itself into a court of justice and determine each case upon its own merits, after a full hearing of the allegations and proofs of the parties; or it must proceed upon vague suggestions, loose reports, or at best upon partial and problematical testimony, to condemn, in the gross and in the dark, the fairest and most unexceptionable claims, as well as those which may happen to be fraudulent and exceptionable. The first would be an usurpation of the judiciary authority, the last is at variance with the rules of property, the dictates of equity, and the maxims of good government.

All admit the truth of these positions as general rules. But, when a departure from it is advocated for any particular purpose, it is usually alleged that there are exceptions to it, that there are certain extraordinary cases in which the public good demands and justifies an extraordinary interposition of the Legislature.

This doctrine in relation to extraordinary cases is not to be denied; but it is highly important that the nature of those cases should be carefully distinguished.

It is evident that every such interposition deviating from the usual course of law and justice, and

infringing the established rules of property, which ought as far as possible to be held sacred and inviolable, is an overleaping of the ordinary and regular bounds of legislative discretion; and is in the nature of a resort to first principles. Nothing, therefore, but some urgent public necessity, some impending national calamity, something that threatens direct and general mischief to society, for which there is no adequate redress in the established course of things, can, it is presumed, be a sufficient cause for the employment of so extraordinary a remedy. An accommodation to the interests of a small part of the community, in a case of inconsiderable magnitude, on a national scale, cannot, in the judgment of the Secretary, be entitled to that character.

If partial inconveniences and hardships occasion legislative interferences in private contracts, the intercourses of business become uncertain, the security of property is lessened, the confidence in government destroyed or weakened.

The Constitution of the United States interdicts the States individually from passing any law impairing the obligation of contracts. This, to the more enlightened part of the community, was not one of the least recommendations of that Constitution. The too frequent intermeddlings of the State Legislatures, in relation to private contracts, were extensively felt, and seriously lamented; and a constitution which promises a preventive, was, by those who felt and thought in that manner, eagerly embraced. Precedents of similar interferences by the Legislature of the United States cannot fail to alarm

the same class of persons, and at the same time to diminish the respect of the State Legislatures for the interdiction alluded to. The *example* of the National Government in a matter of this kind may be expected to have a far more powerful influence than the precepts of the Constitution.

The present case is that of a particular class of men, highly meritorious indeed, but inconsiderable in point of numbers, and the whole of the property in question less than fifty thousand dollars, which, when distributed among those who are principally to be benefited by the regulation, does not exceed twenty-five dollars per man. The relief of the individuals who may have been subjects of imposition, in so limited a case, seems a very inadequate cause for a measure which breaks in upon those great principles that constitute the foundations of property.

The eligibility of the measure is more doubtful, as the courts of justice are competent to the relief which it is the object of the resolution to give, as far as the fact of fraud or imposition or undue advantage can be substantiated. It is true that many of the individuals would probably not be in a condition to seek that relief from their own resources; but the aid of government may in this respect be afforded, in a way which will be consistent with the established order of things. The Secretary, from the information communicated to him, believing it to be probable that undue advantages had been taken, had conceived a plan for the purpose, of the following kind: That measures should be adopted for procuring the appointment of an agent or attorney, by the

original claimants, or if deceased, by their legal representatives; that payment of the money should be deferred until this had been effected; that the amount of the sums due should then be placed in the hands of the proper officer for the purpose of payment; that a demand should be made upon him, on behalf of the original claimants, by their agent, and as a like demand would of course be made by the assignees, that the parties should be informed that a legal adjudication was necessary to ascertain the validity of their respective pretensions; and that in this state of things the Attorney-General should be directed either to prosecute or defend for the original claimants, as should appear to him most likely to insure justice. A step of this kind appeared to the Secretary to be warranted and dictated, as well by a due regard to the defenceless situation of the parties who may have been prejudiced, as by considerations resulting from the propriety of discouraging similar practices.

It is with reluctance and pain the Secretary is induced to make this representation to the President. The respect which he entertains for the decisions of the two Houses of Congress; the respect which is due to those movements of humanity toward the supposed sufferers, and of indignation against those who are presumed to have taken an undue advantage; an unwillingness to present before the mind of the President, especially at the present juncture, considerations which may occasion perplexity or anxiety, concur in rendering the task peculiarly unwelcome. Yet the principles which appear to the Secretary to

have been invaded, in this instance, are, in his estimation, of such fundamental consequence to the stability, character, and success of the government, and at the same time so immediately interesting to the department intrusted to his care, that he feels himself irresistibly impelled by a sense of duty, as well to the Chief Magistrate as to the community, to make a full communication of his impressions and reflections.

He is sensible that an inflexible adherence to the principles contended for must often have an air of rigor, and will sometimes be productive of particular inconveniences. The general rules of property, and all those general rules which form the links of society, frequently involve, in their ordinary operation, particular hardships and injuries; yet the public order and the general happiness require a steady conformity to them. It is perhaps always better that partial evils should be submitted to, than that principles should be violated. In the infancy of our present government, peculiar strictness and circumspection are called for, by the too numerous instances of relaxations, which in other quarters, and on other occasions, have discredited our public measures.

The Secretary is not unaware of the delicacy of an opposition to the resolutions in question, by the President, should his view of the subject coincide with that of the Secretary; yet he begs leave on this point to remark that such an opposition in a case in which a small part of the community only is directly concerned would be less likely to have disagreeable consequences than in one which should affect a very

considerable portion of it; and the prevention of an ill precedent, if it be truly one, may prove a decisive obstacle to other cases of greater extent and magnitude, and of a more critical tendency. If the objections are as solid as they appear to the Secretary to be, he trusts they cannot fail, with the sanction of the President, to engage the approbation, not only of the generality of considerate men, but of the community at large. And if momentary dissatisfaction should happen to exist in particular parts of the Union, it is to be hoped it will be speedily removed by the measures which, under the direction of the President, may be pursued for obtaining the same end in an unexceptionable mode; for the success of which the Secretary will not fail to exert his most zealous endeavors.

It is proper that the President should be informed that if objections should be made by him, they will in all probability be effectual, as the resolutions passed in the Senate with no greater majority than twelve to ten.

The Secretary feels an unreserved confidence in the justice and magnanimity of the President; that, whatever may be his view of the subject, he will at least impute the present representation to an earnest and anxious conviction in the mind of the Secretary of the truth and importance of the principles which he supports, and of the inauspicious tendency of the measure to which he objects, co-operating with a pure and ardent zeal for the public good, and for the honor and prosperity of the administration of the Chief Magistrate.

PUBLIC CREDIT

Communicated to the House of Representatives, December 13, 1790.

TREASURY DEPARTMENT, December 13, 1790.

In obedience to the order of the House of Representatives, of the ninth day of August last, requiring the Secretary of the Treasury to prepare and report on this day such further provision as may, in his opinion, be necessary for establishing the public credit, the said Secretary respectfully reports:

That the object which appears to be most immediately essential to the further support of public credit, in pursuance of the plan adopted during the last session of Congress, is the establishment of proper and sufficient funds for paying the interest which will begin to accrue, after the year one thousand seven hundred and ninety-one, on the amount of the debts of the several States assumed by the United States, having regard at the same time to the probable or estimated deficiency in those already established, as they respect the original debt of the Union.

In order to this, it is necessary, in the first place, to take a view of the sums requisite for those purposes.

The amount of the State debts which has been assumed is	$21,500,000 00
The sum of annual interest upon that amount, which, according to the terms of the proposed loan, will begin to accrue after the year one thousand seven hundred and ninety-one, is .	788,333 33
The estimated deficiency in the funds already established, as they respect the original debt of the United States, is	38,291 40
Making, together . .	$826,624 73

Of the said third class of proof, per gallon, thirteen cents;

Of the said fourth class of proof, per gallon, fifteen cents;

Of the said fifth class of proof, per gallon, twenty cents;

Of the said sixth class of proof, per gallon, thirty cents.

If from materials of the growth or production of the United States distilled within any city, town, or village, and

Of the said first class of proof, per gallon, nine cents;

Of the said second class of proof, per gallon, ten cents;

Of the said third class of proof, per gallon, eleven cents;

Of the said fourth class of proof, per gallon, thirteen cents;

Of the said fifth class of proof, per gallon, seventeen cents;

Of the said sixth class of proof, per gallon, twenty-five cents.

And upon each still employed in distilling spirits from the like materials, in any other place than a city, town, or village, in lieu of the rates above mentioned, the yearly sum of sixty cents for every gallon, English wine measure, of the capacity of such still, including its head: exempting, nevertheless, all such stills, within a certain defined dimension, as are used essentially for the domestic purposes of their respective proprietors.

For procuring which sum, the reiterated reflections of the Secretary have suggested nothing so eligible and unexceptionable, in his judgment, as a further duty on foreign distilled spirits, and a duty on spirits distilled within the United States, to be collected in the mode delineated in the plan of a bill, which forms part of his report to the House of Representatives, of the ninth day of January last.

Under this impression he begs leave, with all deference, to propose to the consideration of the House—

That the following additions be made to the duties on distilled spirits imported from foreign countries, which are specified in the act making further provision for the payment of the debts of the United States, namely:

On those of the first class of proof, therein mentioned, per gallon, eight cents;

On those of the second class, per gallon, eight and a half cents;

On those of the third class, per gallon, nine cents;

On those of the fourth class, per gallon, ten cents;

On those of the fifth class, per gallon, ten cents;

On those of the sixth class, per gallon, fifteen cents.

And that the following duties be laid on spirits distilled within the United States, namely:

If from molasses, sugar, or other foreign materials, and of the first class of proof, per gallon, eleven cents;

Of the said second class of proof, per gallon, twelve cents;

Of the said third class of proof, per gallon, thirteen cents;

Of the said fourth class of proof, per gallon, fifteen cents;

Of the said fifth class of proof, per gallon, twenty cents;

Of the said sixth class of proof, per gallon, thirty cents.

If from materials of the growth or production of the United States distilled within any city, town, or village, and

Of the said first class of proof, per gallon, nine cents;

Of the said second class of proof, per gallon, ten cents;

Of the said third class of proof, per gallon, eleven cents;

Of the said fourth class of proof, per gallon, thirteen cents;

Of the said fifth class of proof, per gallon, seventeen cents;

Of the said sixth class of proof, per gallon, twenty-five cents.

And upon each still employed in distilling spirits from the like materials, in any other place than a city, town, or village, in lieu of the rates above mentioned, the yearly sum of sixty cents for every gallon, English wine measure, of the capacity of such still, including its head: exempting, nevertheless, all such stills, within a certain defined dimension, as are used essentially for the domestic purposes of their respective proprietors.

The product of these several duties (which correspond in their rates with those proposed in the report above referred to, of the ninth of January last) may, upon as good grounds as the nature of the case will admit, prior to an experiment, be computed at eight hundred and seventy-seven thousand and five hundred dollars, the particulars of which computation are contained in the statement which accompanies this report.

This computed product exceeds the sum which has been stated as necessary to be provided, by fifty thousand eight hundred and seventy-five dollars and twenty-seven cents; an excess which, if it should be realized by the actual product, may be beneficially applied toward increasing the sinking fund.

The Secretary has been encouraged to renew the proposition of these duties, in the same form in which they were before submitted, from a belief, founded on circumstances which appeared in the different discussions of the subject, that collateral considerations, which were afterwards obviated, rather than objections to the measure itself, prevented its adoption, during the last session; from the impracticability, which he conceives to exist, of devising any substitute equally conducive to the ease and interest of the community; and from an opinion that the extension of the plan of collection which it contemplates, to the duties already imposed on wines and distilled spirits, is necessary to a well-grounded reliance on their efficacy and productiveness.

The expediency of improving the resource of dis-

tilled spirits, as an article of revenue, to the greatest practicable extent, has been noticed upon another occasion. Various considerations might be added to those then adduced, to evince it, but they are too obvious to justify the detail. There is scarcely an attitude in which the object can present itself, which does not invite, by all the inducements of sound policy and public good, to take a strong and effectual hold of it.

The manner of doing it, or, in other words, the mode of collection, appears to be the only point about which a difficulty or question can arise. If that suggested be liable to just objections, the united information and wisdom of the legislative body insure the substitution of a more perfect plan.

The Secretary, however, begs leave to remark, that there appear to him two leading principles, one or the other of which must necessarily characterize whatever plan may be adopted. One of them makes the *security* of the *revenue* to depend chiefly on the *vigilance* of the *public officers;* the other rests it essentially on the *integrity* of the *individuals* interested to avoid the payment of it.

The first is the basis of the plan submitted by the Secretary; the last has pervaded most if not all the systems which have hitherto been practised upon in different parts of the United States. The oaths of the dealers have been almost the only security for their compliance with the laws.

It cannot be too much lamented that these have been found an inadequate dependence. But experience has, on every trial, manifested them to be

such. Taxes or duties relying for their collection on that security wholly, or almost wholly, are uniformly unproductive. And they cannot fail to be unequal, as long as men continue to be discriminated by unequal portions of rectitude. The most conscientious will pay most; the least conscientious least.

The impulse of interest, always sufficiently strong, acts with peculiar force in matters of this kind, in respect to which a loose mode of thinking is too apt to prevail. The want of a habit of appreciating properly the nature of the public rights renders that impulse in such cases too frequently an overmatch for the sense of obligation, and the evasions which are perceived, or suspected to be practised by some, prompt others to imitation, by the powerful motive of self-defence. They infer that they must follow the example, or be unable to maintain an advantageous competition in the business—an alternative very perplexing to all but men of exact probity, who are thereby rendered, in a great measure, victims to a principle of legislation which does not sufficiently accord with the bias of human nature. And thus the laws become sources of discouragement and loss to honest industry, and of profit and advantage to perjury and fraud. It is a truth that cannot be kept too constantly in view, that all revenue laws which are so constructed as to involve a lax and defective execution, are instruments of oppression to the most meritorious part of those on whom they immediately operate, and of additional burthens on the community at large.

The last effect is produced in two ways. The

deficiencies in the funds (which, in the main, afford only partial exemptions) must be supplied from other taxes, and the charges of collection, which, in most cases, are nearly the same, whether a tax or duty yield much or little, occasion an accumulation of the ultimate expense of furnishing a given sum to the treasury.

Another and a very serious evil, chargeable on the system opposite to that proposed, is that it leads to frequent and familiar violations of oaths, which by loosening one of the strongest bands of society, and weakening one of the principal securities to life and property, offends, not less against the maxims of good government and sound policy, than against those of religion and morality.

It may not be improper further to remark, that the two great objections to the class of duties denominated excises are inapplicable to the plan suggested. These objections are: first, the *summary jurisdiction* confided to the officers of excise, in derogation from the course of the common law and the right of trial by jury; and, secondly, the general power vested in the same officers, of *visiting and searching, indiscriminately*, the houses, stores, and other buildings of the dealers in excised articles. But, by the plan proposed, the officers to be employed are to be clothed with no such *summary* jurisdiction, and their *discretionary* power of visiting and searching is to be restricted to those places which the dealers themselves shall designate by public insignia or marks as the depositories of the articles on which the duties are to be laid. Hence, it is one of the

recommendations of the plan, that it is not liable to those objections.

Duties of the kind proposed are not novel in the United States, as has been intimated in another place. They have existed, to a considerable extent, under several of the State governments, particularly in Massachusetts, Connecticut, and Pennsylvania. In Connecticut, a State exemplary for its attachment to popular principles, not only all ardent spirits, but foreign articles of consumption generally, have been the subjects of an excise or inland duty.

If the supposition, that duties of this kind are attended with greater expense in the collection than taxes on lands, should seem an argument for preferring the latter, it may be observed that the fact ought not too readily to be taken for granted. The state of things in England is sometimes referred to as an example on this point, but there the smallness of the expense in the collection of the land-tax is to be ascribed to the peculiar modification of it, which proceeding without new assessments according to a fixed standard long since adjusted, totally disregards the comparative value of lands and the variations in their value. The consequence of this is an inequality so palpable and extreme as would be likely to be ill relished by the landholders of the United States. If, in pursuit of greater equality, accurate periodical valuations or assessments are to afford a rule, it may well be doubted whether the expense of a land-tax will not always exceed that of the kind of duties proposed. The ingenious, but fallacious hypothesis, that all taxes on consumption

fall finally with accumulated weight on land, is now too generally and too satisfactorily exploded to require to be combated here. It has become an acknowledged truth that, in the operation of those taxes, every species of capital and industry contribute their proportion to the revenue, and consequently that, as far as they can be made substitutes for taxes on lands, they serve to exempt them from an undue share of the public burthen.

Among other substantial reasons which recommend, as a provision for the public debt, duties upon articles of consumption, in preference to taxes on houses and lands, is this: It is very desirable, if practicable, to reserve the latter fund for objects and occasions which will more immediately interest the sensibility of the whole community, and more directly affect the public safety. It will be a consolatory reflection, that so capital a resource remains untouched by that provision, which, while it will have a very material influence in favor of public credit, will also be conducive to the tranquillity of the public mind, in respect to external danger, and will really operate as a powerful guarantee of peace. In proportion as the estimation of our resources is exalted in the eyes of foreign nations, their respect for us must increase, and this must beget a proportionable caution, neither to insult nor injure us with levity; while, on the contrary, the appearance of exhausted resources (which would, perhaps, be a consequence of mortgaging the revenue to be derived from land, for the interest of the public debt) might tend to invite both insult and injury, by inspiring an

opinion that our efforts to resent or repel them were little to be dreaded.

It may not be unworthy of reflection that, while the idea of residuary resources, in so striking a particular, cannot fail to have many beneficial consequences, the suspension of taxes on real estate can as little fail to be pleasing to the mass of the community; and it may reasonably be presumed that so provident a forbearance on the part of the Government will insure a more cheerful acquiescence on that of the class of the community immediately to be affected, whenever experience and the exigency of conjunctures shall dictate a resort to that species of revenue.

But, in order to be at liberty to pursue this salutary course, it is indispensable that an efficacious use should be made of those articles of consumption which are the most proper and most productive, to which class distilled spirits very evidently belong; and a prudent energy will be requisite, as well in relation to the mode of collection as to the quantum of the duty.

It need scarcely be observed that the duties on the great mass of imported articles have reached a point which it would not be expedient to exceed. There is at least satisfactory evidence that they cannot be extended further without contravening the sense of the body of the merchants; and, though it is not to be admitted, as a general rule, that this circumstance ought to conclude against the expediency of a public measure, yet, when due regard is had to the disposition which that enlightened class of our citizens

has manifested toward the National Government, to the alacrity with which they have hitherto seconded its operations, to the accommodating temper with which they look forward to those additional impositions on the objects of trade, which are to commence with the ensuing year, and to the greatness of the innovation, which, in this particular, has already taken place in the former state of things, there will be perceived to exist the most solid reasons against lightly passing the bounds which coincide with their impressions of what is reasonable and proper. It would be, in every view, inauspicious to give occasion for a supposition that trade alone is destined to feel the immediate weight of the hands of Government in every new emergency of the treasury.

However true, as a general position, that the consumer pays the duty, yet, it will not follow that trade may not be essentially distressed and injured, by carrying duties on importations to a height which is disproportionate to the mercantile capital of a country. It may not only be the cause of diverting too large a share of it from the exigencies of business, but, as the requisite advances to satisfy the duties, will, in many, if not in most cases, precede the receipts from the sale of the articles on which they are laid, the consequence will often be sacrifices which the merchant cannot afford to make.

The inconveniences of exceeding the proper limit in this respect, which will be felt everywhere, will fall with particular severity on those places which have not the advantage of public banks, and which abound least in pecuniary resources. Appearances

do not justify such an estimate of the extent of the mercantile capital of the United States as to encourage to material accumulations on the already considerable rates of the duties on the mass of foreign importation.

Another motive for caution on this point arises from the reflection that the effect of an important augmentation made by a law of the last session is, hitherto, a mere matter of speculative calculation, and has not yet even begun to be tried.

It is presumable, too, that a still further augmentation would have an influence the reverse of favorable to the public credit. The operation would be apt to be regarded as artificial, as destitute of solidity, as presenting a numerical increase, but involving an actual diminution of revenue. The distrust of the efficacy of the present provision might also be accompanied with a doubt of a better substitute hereafter. The inference would not be unnatural, that a defect of other means, or an inability to command them, could alone have given birth to so unpromising an effort to draw all from one source.

A diversification of the nature of the funds is desirable on other accounts. It is clear that less dependence can be placed on one species of funds, and that, too, liable to the vicissitude of the continuance or interruption of foreign intercourse, than from a variety of different funds, formed by the union of internal with external objects.

The inference from these various and important considerations seems to be, that the attempt to extract wholly, from duties on imported articles, the

sum necessary to a complete provision for the public debt would probably be both deceptive and pernicious—incompatible with the interests not less of revenue than of commerce; that resources of a different kind must, of necessity, be explored; and that the selection of the most fit objects is the only thing which ought to occupy inquiry.

Besides the establishment of supplementary funds, it is requisite to the support of the public credit that those established should stand on a footing which will give all reasonable assurance of their effectual collection.

Among the articles enumerated in the act making *further provision for the payment of the debt of the United States* there are two, wines and teas, in regard to which some other regulations than have yet been adopted seem necessary for the security of the revenue and desirable for the accommodation of the merchant.

With these views it is submitted that the term for the payment of the duties on wines be enlarged, as it respects Madeira wines, to eighteen months; and as it respects other wines, to nine months; and that they be collected on a plan similar to that proposed in relation to imported distilled spirits.

And that a third option (two being allowed by the present law) be given to the importers of teas, which shall be, to give bond, without security, for the amount of the duty in each case, payable in two years, upon the following terms:

The teas to be deposited, at the expense and risk of the importer, in storehouses, to be agreed upon between him and the proper officer of the revenue; each

storehouse having two locks, the key of one of which to be in the custody of the importer or his agent, and the key of the other of which to be in the custody of an officer whose duty it shall be made to attend, at all reasonable times, for the purpose of deliveries.

These deliveries, whether for home sale or for exportation to a foreign country, to be warranted by permits from the chief officer of inspection of the place.

If for home sale, the permits to be granted after the duties shall have been paid, or secured to be paid.

When the amount of the duties shall not exceed one hundred dollars, four months to be allowed for payment. When it shall exceed one hundred dollars, and not exceed five hundred dollars, the term of payment to be eight months; and twelve months, whenever the amount shall exceed five hundred dollars: Provided, that the credit shall in no case extend beyond the period of two years, originally allowed for the entire sum. If the duties on the whole quantity deposited shall not have been paid, or secured to be paid, before the expiration of that time, it shall be lawful for the proper officer to cause a sale to be made of so much as shall be sufficient to discharge what shall remain unsatisfied. In every case, it shall be at the option of the party applying for the permit, either to pay the amount of duties on the quantity to be delivered, or to give bond for it, with one or more sureties, to the satisfaction of the officer whose province it shall be to grant the permits.

If the deliveries are to be made for exportation, the permits to be granted upon bond being entered into, to secure and ascertain the exportation. This may

require some alterations of form, in the manner of proceeding, relatively to the exportation of this article.

All teas to be landed under the care of the inspectors of the revenue; the chests, and other packages containing them, to be marked; and certificates, which shall accompany them, be granted, as in the case of distilled spirits.

To these more direct expedients for the support of public credit, the institution of a national bank presents itself, as a necessary auxiliary. This the Secretary regards as an indispensable engine in the administration of the finances. To present this important object in a more distinct and more comprehensive light, he has concluded to make it the subject of a separate report.

All of which is humbly submitted.

ALEXANDER HAMILTON,
Secretary of the Treasury.

Estimate of the probable product of the funds proposed in the annexed report.

4,000,000 gallons of distilled spirits, imported from foreign countries, at 8 cents per gallon	$320,000 00
3,500,000 gallons of spirits, distilled in the United States, from foreign materials, at 11 cents per gallon	385,000 00
3,000,000 gallons of spirits, distilled from materials of the United States, at 9 cents per gallon	270,000 00
Total dollars	$975,000 00
Deduct for drawbacks and expense of collecting, 10 per cent	97,500 00
Net product	$877,500 00

HAMILTON TO SUPERVISORS OF BOSTON

TREASURY DEPARTMENT, July 27, 1791.

GENTLEMEN:

A temporary absence from the seat of government has delayed an answer to your letter of the 14th inst.

It is an established rule at the treasury not to disclose the amount of the stock which stands to the credit of any person on the public books to any but the proprietor himself, or his regular representative; and the reasons extend, of course, to the respective loan offices.

One of those reasons is, that as property in the public funds constitutes an usual and a considerable portion of mercantile capital, wherever public credit is well supported, the permitting an inspection into the stock account of individuals to others than the parties respectively interested, would have a tendency to lay open the affairs and operations of merchants more than is consistent with the spirit of trade. Indeed, not only merchants, but other classes of citizens, may often have very fair and valid reasons for being disinclined to such an inspection; and it may be even conceived that it would not at all times be expedient to allow access to the secret emissaries of a foreign power to discover the quantum of interest which its own citizens might have in the funds of a nation.

In thus assigning some of the reasons which have given occasion to the rule that has been mentioned, I yield to a desire of satisfying the Board that it is not unsupported by considerations of weight, and

that a relaxation of it, in compliance with their request, could not with propriety be acceded to on my part.

At the same time, I feel myself called upon by the occasion to express an opinion that every thing in the nature of a direct tax on property in the funds of the United States is contrary to the true principles of public credit, and tends to disparage the value of the public stock. If any law of the State of Massachusetts, therefore, gives sanction to such a tax, it is presumed that it must have been passed without an advertence to this important idea; and it is not doubted that in the execution of it there will be all the care and moderation which the delicacy of the operation requires. It is desirable on every account that no occasion should be given to a discussion concerning the regularity of the proceeding.

LOANS

Communicated to the House of Representatives, February 7, 1792.

TREASURY DEPARTMENT, January 23, 1792.

Pursuant to the order of the House of Representatives of the first of November, 1791, directing the Secretary of the Treasury "to report to the House the amount of the *subscriptions* to the loans proposed by the act making provision for the public debt, as well in the debts of the respective States, as in the domestic debt of the United States, and of the parts which remain unsubscribed, together with such measures as are, in his opinion, expedient to be taken on the subject," the said Secretary respectfully submits the following report:

Consisting of registered debt, principal and interest	$6,795,815 26
Unsubscribed stock on the books of the commissioners of loans for New Jersey, Pennsylvania, and Maryland, principal and interest . . .	15,674 62
Credits on the books of the treasury, for which no certificates have been issued, principal and interest . .	107,648 63
Outstanding or floating evidences of debt, estimated, per statement C, at .	3,697,466 14
Making, together . .	$10,616,604 65

Concerning which some further arrangement is necessary.

The greatest part of the registered debt, hitherto unsubscribed, is owned by citizens of foreign countries, most if not all of whom appear now disposed to embrace the terms held out by the act above mentioned; extensive orders having been received from those creditors to subscribe to the loan, after the time for receiving subscriptions had elapsed.

A considerable part of the outstanding or floating debt consists of loan-office certificates, issued between the first of September, 1777, and the first of March, 1778, bearing interest on the nominal sum. Many of the holders of this species of debt have come in upon the terms of this act, but others have hitherto declined it; alleging that the special nature of their contract gives a peculiarity to their case, and renders the commutation proposed not so fair an equivalent to them as in other instances. They also complain

that the act has had, toward them, a compulsory aspect, by refusing the temporary payment of interest, unless they should exchange their old for new certificates, essentially varying the nature of their contract.

A resolution of Congress of the tenth of September, 1777, stipulates, in favor of this class of creditors, interest upon the *nominal* instead of the *real principal* of their debt, *until that principal be discharged.* This certainly renders their contract of a nature more beneficial than that of other creditors; but they are, at the same time, liable to be divested of the extra benefit it gives them by a payment of their specie dues; and it may be observed, that they have actually enjoyed, and by accepting the terms offered to them, were enabled to realize, advantages superior to other creditors. They have been paid interest by bills on France from the tenth of September, 1777, to the first of March, 1782, while other creditors received their interest in depreciated bills of the old emissions; and the terms of the loan proposed put it in their power to realize the benefit of interest, on the nominal amount of their respective debts, at rates from $6\frac{20}{100}$ nearly to $10\frac{47}{100}$ per cent. on their real or specie capital down to the last of December, 1790.

It does not, therefore, appear to have been an unreasonable expectation, that they, as readily as any other description of public creditors, would have acquiesced in a measure calculated for the accommodation of the Government, under circumstances in respect to which it has been demonstrated by *subsequent events* that the accommodation desired, was

consistent with the best interest of the public creditors. A large proportion of the parties interested have, indeed, viewed the matter in this light, and have embraced the proposition. It is probable that the *progress* of things will satisfy the remainder that it is equally their interest to concur, if a further opportunity be afforded. But it is, nevertheless, for themselves only to judge, how far the equivalent proposed is, in their case, a reasonable and fair one; how far any circumstances in their claim may suggest reasons for moderation on their part; or how far any other motives, public or private, ought to induce an acceptance. And the principles of good faith require that their election should be free.

On this ground, the complaint which regards the withholding of a temporary payment of interest, except on the condition of surrender of the old certificates for new ones, importing a contract substantially different, appears, to the Secretary, not destitute of foundation. He presumes that the operation of that provision, in the particular case, was not adverted to; or, that an exception would have been introduced as most consonant with the general spirit and design of the act. Accordingly, the further measures which will be submitted, will contemplate a method of obviating the objection in question.

From the consideration, that an extension of the time for receiving subscriptions, upon the terms of the act making provision for the debt of the United States, is desired by a large proportion of the non-subscribing creditors; and from the further

consideration, that sufficient experience has not yet been had of the productiveness of a considerable branch of the revenues which have been established, to afford the light necessary to a final arrangement, it is, in the judgment of the Secretary, advisable to renew the proposition for a loan in the domestic debt, on the same terms with the one which has been closed, and to allow time for receiving subscriptions to it until the last day of September next, inclusively; making provision for a temporary payment of interest to such who may not think fit to subscribe for the year 1792, of the like nature with that which was made in the same case for the year 1791, except as to the holders of loan-office certificates issued between the first of September, 1777, and the first of March, 1778; in respect to whom it is submitted as proper to dispense with the obligation of exchanging their old certificates for new, as the condition of their receiving interest in capacity of non-subscribers; and to allow them, without such exchange, to receive the same interest both for the year 1791 and 1792, as if they had subscribed to the first loan. It will not be materially difficult so to regulate the operation at the treasury as to avoid, in the particular case, that danger of imposition by counterfeits, which was the motive to the general provision for an exchange of certificates.

2. The amount of the subscriptions in the debt of the respective States, within the limits of the sum assumed in each, appears, by the statement marked D, to be $17,072,334.39, subject to the observations accompanying that statement. Consequently, the

difference between the aggregate of the sums subscribed and the aggregate of the sums assumed is $4,427,665.61. This difference is to be attributed to several causes—the principal of which are the following: First, that the sums assumed, in respect to certain States, exceeded the actual amount of their existing debts. Second, that, in various instances, a part of the existing debt was in a form which excluded it from being received, without contravening particular provisions of the law, as in the case of certificates issued after the first day of January, 1790, in lieu of certificates which had been issued prior to that period, which was reported upon by the Secretary on the twenty-fifth day of February last. Third, ignorance of, or inattention to, the limitation of time for receiving subscriptions. It appears that a number of persons lost the opportunity of subscribing from the one or the other of these causes.

A strong desire that a further opportunity may be afforded for subscriptions in the debts of the States has been manifested by the individuals interested. And the States of Rhode Island and New Hampshire have, by the public acts referred to by the Secretary, indicated a similar desire. The affording of such further opportunity may either be restricted within the limit as to amount, which is contemplated by the act itself, or may receive an extension which will embrace the residuary debts of the States.

The first may be considered as nothing more than giving full effect to a measure already adopted.

The last appears to have in its favor all the leading inducements to what has been already done. The

embarrassments which might arise from conflicting systems of finance are not entirely obviated. The efficacious command of the national resources for national exigencies is not unequivocally secured. The equalizing of the condition of the citizens of every State, and exonerating those of the States most indebted, from partial burthens which would press upon them, in consequence of exertions in a common cause, is not completely fulfilled until the entire debt of every State, contracted in relation to the war, is embraced in one general and comprehensive plan. The inconvenience to the United States of disburthening the States which are still encumbered with considerable debts, would bear no proportion to the inconvenience which they would feel, if left to struggle with those debts, unaided.

More general contentment, therefore, in the public mind, may be expected to attend such an exoneration, than the reverse; in proportion as the experience of actual inconvenience would be greater, though only applicable to parts, in the one, than in the other case.

With regard to States, parts only of the debts of which have been assumed, and in proportions short of those which have prevailed, in favor of other States, and short, also, of what would have resulted from a due apportionment of the entire sum assumed; the claim to a further assumption is founded on considerations of equal justice, as relative to the measure itself, considered in a separate and independent light.

But there is a further reason of material weight

for an immediate general assumption. Moneyed men, as well foreigners as citizens, through the expectation of an eventual assumption, or that, in some shape or other, a substantial provision will be made for the unassumed residue of the State debts, will be induced to speculate in the purchase of them. In proportion as the event is unsettled, or uncertain, the price of the article will be low, and the present proprietors will be under disadvantage in the sale. The loss to them in favor of the purchasers is to be regarded as an evil; and as far as it is connected with a transfer to foreigners, at an undervalue, it will be a national evil. By whatsoever authority an ultimate provision may be made, there will be an absolute loss to the community, equal to the total amount of such undervalue.

It may appear an objection to the measure, that it will require an establishment of additional funds by the Government of the United States. But this does not seem to be a necessary consequence. The probability is, that, without a supplementary assumption, an equal or very nearly equal augmentation of funds will be requisite to provide for *greater* balances in favor of certain States; which would be proportionably diminished by such assumption. The destination, not the quantum of the fund, will, therefore, be the chief distinction between the two cases.

It may also appear an objection to a total assumption, that the magnitude of the object is not ascertained with precision. It is not certainly known, what is the sum due in each State; nor has it been possible to acquire the information, owing to

different causes. But, though precise data are deficient, there are materials which will serve as guides. From the returns received at the treasury, assisted by information in other ways, it may be stated, without danger of material error, that the remaining debts of the States, over and above the sums already subscribed, will not exceed the amounts specified in statement D, accompanying this report. And that, including sums already subscribed, the total amount to be *ultimately* provided for, in the event of a general assumption, will not exceed 25,403,362$\frac{71}{100}$ dollars, which would constitute an addition of 3,903,362$\frac{71}{100}$ dollars to the sum of 21,500,000 dollars already assumed.

Should a total assumption be deemed eligible, it may still be advisable to assign a determinate sum for each State, that the utmost limit of the operation may be pre-established; and it is necessary, in order to the certainty of a due provision, in proper time, that interest should not begin to be payable, on the additional sums assumed, till after the year 1792.

It will occur, that provision has been made for paying to each State, in trust for its non-subscribing creditors, an interest upon the difference between the sum assumed for each State, and that actually subscribed, equal to what would have been payable, if it had been subscribed.

In the event of a further assumption, either within the limits already established, or commensurate with the remaining debts of the States, it is conceived that it will not be incompatible with the provision just mentioned, to retain, at the end of each quarter, dur-

ing the progress of the further subscription, out of the money directed to be paid to each State, a sum corresponding with the interest upon so much of its debts as shall have been subscribed to that period, paying the over-plus, if any, to the State. An absolute suspension of that payment does not appear consistent with the nature of the stipulation included in that provision; for, though the money to be paid to a State be expressly a trust for the non-subscribing creditors, yet, as it cannot be certain beforehand, that they will elect to change their condition, the possibility of it will not justify a suspension of payment to the State, which might operate as suspension of payment to the creditors themselves.

A further objection to such a suspension results from the idea, that the provision in question appears to have a secondary object, namely, as a pledge for securing a provision for whatever balance may be found due to a State, on the general settlement of accounts. The payment directed to be made to a State is "to continue *until* there shall be a settlement of accounts between the United States and the individual States, and, in case a balance should then appear in favor of a State, *until* provision shall be made for the said balance."

The secondary operation as a pledge or security (consistently with the intent of the funding act) can only be superseded in favor of the primary object, a *provision for the creditors*, and as far as may be necessary to admit them to an effectual participation in it. But as whatever money may be paid to a State, is to

be paid over to its creditors, proportional deductions may, with propriety, be made from the debts of those creditors who may hereafter subscribe, so that the United States may not have to pay twice for the same purpose.

If it shall be judged expedient either to open again, or to extend the assumption, it will be necessary to vary the description of the debts which may be subscribed, so as to comprehend all those which have relation to services or supplies during the war, under such restrictions as are requisite to guard against abuse.

In the original proposition for an assumption of the State debts, and in the suggestions now made on the same subject, the Secretary has contemplated, and still contemplates, as a material part of the plan, an effectual provision for the sale of the vacant lands of the United States. He has considered this resource as an important means of sinking a part of the debt, and facilitating ultimate arrangements concerning the residue. If supplementary funds shall be rendered necessary, by an additional assumption, the provision will most conveniently be made at the next session of Congress, when the productiveness of the existing revenues, and the extent of the sum to be provided for, will be better ascertained.

3. There is a part of the public debt of the United States which is a cause of some perplexity to the Treasury. It is not comprehended within the existing provision for the foreign debt, which is confined to *loans* made abroad; and it is questionable whether it is to be regarded as a portion of the domestic debt.

It is not only due to *foreigners*, but the interest upon it is payable, by express stipulation, in a foreign country; whence it becomes a matter of doubt, whether it be at all contemplated by the act making provision for the debt of the United States. The part alluded to is that which is due to certain foreign officers, who served the United States during the late war. In consequence of a resolution of Congress, directing their interest to be paid to them in France, the certificates which were issued to them specify that, "in pursuance of and compliance with a certain resolution of Congress, of the third day of February, 1784, the said interest is to be paid, annually, at the house of Mons. Le Grand, banker in Paris." Interest has accordingly been paid to them at Paris, down to the 31st of December, 1788, by virtue of a special resolution of Congress, of the 20th of August in that year; since which period no payment has been made.

It has been heretofore suggested, as the opinion of the Secretary, that it would be expedient to cause the whole of this description of debt to be paid off; among other reasons, because it bears an interest at six per centum per annum, payable abroad, and can be discharged with a saving. The other reasons alluded to are of a nature both weighty and delicate, and too obvious, it is presumed, to need a specification. Some recent circumstances have served to strengthen the inducements to the measure. But if it should, finally, be deemed unadvisable, it is necessary, at least, that provision should be made for the interest, which is now suspended, under the doubt

that has been stated, and from the want of authority to *remit* it pursuant to the contract.

The amount of this debt, with the arrears of interest to the end of the year 1791, is $220,646.81.

4. The act making provision for the debt of the United States has appropriated the proceeds of the western lands, as a fund for the discharge of the public debt. And the act making provision for the reduction of the public debt has appropriated all the surplus of the duties on imports and tonnage, to the end of the year 1790, to the purpose of purchasing the debt at the market price, and has authorized the President to borrow the further sum of two millions of dollars for the same object.

These measures serve to indicate the intention of the Legislature, as early and as fast as possible, to provide for the extinguishment of the existing debt.

In pursuance of that intention, it appears advisable that a systematic plan should be begun for the creation and establishment of a sinking fund.

An obvious basis of this establishment, which may be immediately contemplated, is the amount of the interest on as much of the debt as has been, or shall be, from time to time, purchased, or paid off, or received in discharge of any debt or demand of the United States, made payable in public securities, over and above the interest of any new debt, which may be created, in order to such purchase or payment.

The purchases of the debt, already made, have left a sum of interest in the treasury, which will be increased by future purchases; certain sums payable

to the United States, in their own securities, will, when received, have a similar effect. And there is ground to calculate on a saving upon the operations, which are in execution with regard to the foreign debt. The sale of the western lands, when provision shall be made for it, may be expected to produce a material addition to such a fund.

It is therefore submitted, that it be adopted as a principle, that all interest which shall have ceased to be payable by any of the means above specified, shall be set apart and appropriated in the most firm and inviolable manner as a fund for sinking the public debt, by purchase or payment; and that the said fund be placed under the direction of the officers named in the second section of the act making provision for the reduction of the public debt, to be by them applied toward the purchase of the said debt, until the annual produce of the said fund shall amount to two per cent. of the entire portion of the debt which bears a present interest of six per centum, and thenceforth to be applied towards the redemption of that portion of the debt, according to the right which has been reserved to the Government. It will deserve the consideration of the Legislature, whether this fund ought not to be so vested, as to acquire the nature and quality of a *proprietary* trust, incapable of being diverted without a violation of the principles and sanctions of *property*.

A rapid accumulation of this fund would arise from its own operation; but it is not doubted, that the progressive development of the resources of the country, and a reduction of the rate of interest, by

the progress of public credit, already exemplified in a considerable degree, will speedily enable the Government to make important additions to it in various ways. With due attention to preserve order and cultivate peace, a strong expectation may be indulged that a reduction of the debt of the country will keep pace with the reasonable hopes of its citizens.

All which is humbly submitted.

ALEXANDER HAMILTON,
Secretary of the Treasury.

[Schedules A, B, C, D, State Papers, Finance, vol. i., pp. 149, 150, 151.]

SPIRITS, FOREIGN AND DOMESTIC [1]

Communicated to the House of Representatives, March 6, 1792.

TREASURY DEPARTMENT, March 5, 1792.

In obedience to the orders of the House of Representatives of the first and second days of November last, the first directing the Secretary of the Treasury to report to the House such information as he may have obtained, respecting any difficulties which may have occurred, in the execution of the act "repealing, after the last day of June next, the duties heretofore laid upon distilled spirits, imported from abroad and laying others in their stead, and, also, upon spirits distilled within the United States, and for appropriating the same," together with his opinion thereupon; the second directing him to re-

[1] This is the famous argument on the policy of internal revenue and the expediency of an excise on spirits, both of which are now established.

port to the House whether any, and what, alterations in favor of the spirits which shall be distilled from articles of the growth or produce of the United States, or from foreign articles, within the same, can, in his opinion, be made in the act for laying duties upon spirits distilled within the United States, consistently with its main design, and with the maintenance of the public faith; the said Secretary respectfully submits the following report:

From the several petitions and memorials which have been referred to the Secretary, as well as from various representations which have been made to him, it appears that objections have arisen in different quarters against the above-mentioned act, which have, in some instances, embarrassed its execution, and inspired a desire of its being repealed; in others, have induced a wish that alterations may be made in some of its provisions.

These objections have reference to a supposed tendency of the act, first to contravene the principles of liberty; secondly, to injure morals; thirdly, to oppress by heavy and excessive penalties; fourthly, to injure industry, and interfere with the business of distilling.

As to the supposed tendency of the act to contravene the principles of liberty, the discussions of the subject which have had place in and out of the Legislature, supersede the necessity of more than a few brief general observations.

It is presumed that a revision of the point cannot, in this respect, weaken the convictions which originally dictated the law.

There can surely be nothing in the nature of an *internal duty* on a *consumable* commodity, more incompatible with liberty, than in that of an external duty on a like commodity. A doctrine which asserts, that all duties of the former kind (usually denominated excises) are inconsistent with the genius of a free government, is too violent, and too little reconcilable with the necessities of society, to be true. It would tend to deprive the Government of what is, in most countries, a principal source of revenue, and by narrowing the distribution of taxes, would serve to oppress particular kinds of industry. It would throw, in the first instance, an undue proportion of the public burthen on the merchant and on the landholder.

This is one of those cases in which names have an improper influence, and in which prepossessions exclude a due attention to facts.

Accordingly, the law under consideration is complained of, though free from the features which have served, in other cases, to render laws on the same subject exceptionable; and, though the differences have been pointed out, they have not only been overlooked, but the very things which have been studiously avoided in the formation of the law, are charged upon it, and, that, too, from quarters where its operation would, from circumstances, have worn the least appearance of them.

It has been, heretofore, noticed that the chief circumstances which, in certain excise laws, have given occasion to the charge of their being unfriendly to liberty, are not to be found in the act which is the

subject of the report, viz.: first, a summary and discretionary jurisdiction in the excise officers, contrary to the course of the common law, and in abridgment of the right of trial by jury; and, secondly, a general power, in the same officers, to search and inspect, *indiscriminately*, all the houses and buildings of the persons engaged in the business to which the tax relates.

As to the first particular, there is nothing in the act even to give color to a charge of the kind against it, and, accordingly, it has not been brought. But, as to the second, a very *different power* has been mistaken for it, and the act is complained of as conferring that very power of indiscriminate search and inspection.

The fact, nevertheless, is otherwise. An officer, under the act in question, can inspect or search no house or building, or even *apartment* of any house or building, which had not been *previously entered* and *marked* by the possessor as a place used for distilling or keeping spirits.

And even the power so qualified is only applicable to distilleries from foreign materials, and in cities, towns, and villages, from domestic materials; that is, only in cases in which the law contemplates that the business is carried on upon such a scale as effectually to separate the *distillery* from the *dwelling* of the distiller. The distilleries scattered over the country, which form much the greatest part of the whole, are in no degree subject to discretionary inspection and search.

The true principle of the objection which may be raised to a general discretionary power of inspection

and search, is that the *domicile* or *dwelling* of a citizen ought to be free from vexatious inquisition and intrusion.

This principle cannot apply to a case in which it is put in his own power to separate the place of his *business* from the place of his *habitation;* and, by designating the former by visible public marks, to avoid all intermeddling with the latter.

A distillery seldom forms a part of the *dwelling* of its proprietor, and even where it does, it depends on him to direct and limit the power of visiting and search, by marking out the particular *apartments* which are so employed.

But the requisition upon the distiller to set marks on the building or apartments which he makes use of in his business is one of the topics of complaint against the law. Such marks are represented as a dishonorable badge; and thus a regulation, designed as much to conform with the feelings of the citizen as for the security of revenue, is converted into matter of objection.

It is not easy to conceive what maxim of liberty is violated by requiring persons who carry on particular trades, which are made contributory to the revenue, to designate, by public marks, the places in which they are carried on. There can certainly be nothing more harmless, or less inconvenient, than such a regulation. The thing itself is frequently done by persons of various callings for the information of customers; and why it should become a hardship or grievance, if required for a public purpose, can with difficulty be imagined.

The supposed tendency of the act to injure morals seems to have relation to the oaths, which are, in a variety of cases, required, and which are liable to the objection that they give occasion to perjuries.

The necessity of requiring oaths is, whenever it occurs, matter of regret. It is certainly desirable to avoid them as often and as far as possible; but it is more easy to desire than to find a substitute. The requiring of them is not peculiar to the act in question; they are a common appendage of revenue laws, and are among the usual guards of those laws, as they are of public and private rights in courts of justice. They constantly occur in jury trials, to which the citizens of the United States are so much and so justly attached. The same objection, in different degrees, lies against them in both cases, yet it is not perceivable how they can be dispensed with in either.

It is remarkable that *both* the kinds of security to the revenue, which are to be found in the act, the oaths of parties and the inspection of officers are objected to. If they are both to be abandoned, it is not easy to imagine what security there can be for any species of revenue, which is to be collected from articles of consumption.

If precautions of this nature are inconsistent with liberty, and immoral, as there are very few indirect taxes which can be collected without them, the consequence must be that the entire or almost entire weight of the public burthens must, in the first instance, fall upon fixed and visible property, houses, and lands—a consequence which would be found, in

experiment, productive of great injustice and inequality, and ruinous to agriculture.

It has been suggested by some distillers, that both the topics of complaint which have been mentioned, might be obviated by a fixed rate of duty, adjusted according to a ratio compounded of the capacity of each still, and the number and capacities of the cisterns employed with it; but this, and every similar method, are objected to by other distillers, as tending to great inequality, arising from unequal supplies of the material at different times, and at different places, from the different methods of distillation practised by different distillers, and from the different degrees of activity in the business, which arise from capitals more or less adequate.

The result of an examination of this point appears to be, that every such mode, in cases in which the business is carried on upon an extensive scale, would, necessarily, be attended with considerable inequalities; and, upon the whole, would be less satisfactory than the plan which has been adopted.

It is proved by the fullest information, that, in regard to distillers which are rated in the law, according to the capacity of each still, the alternative of paying according to the quantity actually distilled, is received in many parts of the United States as essential to the equitable operation of the duty. And it is evident, that such an alternative could not be allowed but upon the condition of the party rendering upon oath an account of the quantity of spirits distilled by him, without entirely defeating the duty.

As to the charge, that the penalties of the act are too severe and oppressive, it is made in such general terms, and so absolutely without the specification of a single particular, that it is difficult to imagine where it points.

The Secretary, however, has carefully reviewed the provisions of the act, in this respect, and he is not able to discover any foundation for the charge.

The penalties it inflicts are in their nature the same with those which are common in revenue laws, and, in their degree, comparatively moderate.

Pecuniary fines, from fifty to five hundred dollars, and forfeiture of the article in respect to which there has been a failure to comply with the law, are the severest penalties inflicted upon delinquent parties, except in a very few cases: In two, a forfeiture of the value of the article is added to that of the article itself, and in some others, a forfeiture of the ship or vessel, and of the wagon or other instrument of conveyance, assistant in a breach of law, is likewise involved.

Penalties like these, for wilful and fraudulent breaches of an important law, cannot, truly, be deemed either unusual or excessive. They are less than those which secure the laws of impost, and as moderate as can promise security to any object of revenue which is capable of being evaded.

There appears to be but one provision in the law, which admits of a question whether the penalty prescribed may not partake of severity. It is that which inflicts the pains of perjury on any person who shall be convicted of "wilfully taking a false oath

or affirmation in any of the cases in which oaths or affirmations are required by the act."

Precedents in relation to this particular, vary. In many of them, the penalties are less severe than for perjury, in courts of justice; in others, they are the same. The latter are, generally, of the latest date, and seem to have been the result of experience.

The United States have, in other cases, pursued the same principle as in the law in question. And the practice is certainly founded on strong reasons.

1st. The additional security which it gives to the revenue cannot be doubted. Many who would risk pecuniary forfeitures and penalties would not encounter the more disgraceful punishment annexed to perjury.

2d. There seems to be no solid distinction between one false oath in violation of law and right and another false oath in violation of law and right. A distinction in the punishments of different species of false swearing is calculated to beget false opinions concerning the sanctity of an oath; and by countenancing an impression, that a violation of it is less heinous in the cases in which it is less punished, it tends to impair in the mind that scrupulous veneration for the obligation of an oath which ought always to prevail, and not only to facilitate a breach of it in the cases which the laws have marked with less odium, but to prepare the mind for committing the crime in other cases.

So far is the law under consideration from being chargeable with particular severity, that there are to be found in it marks of more than common atten-

tion to prevent its operating severely or oppressively.

The 43d section of the act contains a special provision (and one which, it is believed, is not to be found in any law enacted in this country, prior to the present constitution of the United States), by which forfeitures and penalties incurred, without an intention of fraud or wilful negligence, may be mitigated or remitted.

This mild and equitable provision is an effectual guard against suffering or inconvenience, in consequence of undesigned transgressions of the law.

The 30th section contains a provision in favor of persons, who, though innocent, may accidently suffer by seizures of their property (as in the execution of the revenue laws sometimes unavoidably happens), which is, perhaps, entirely peculiar to the law under consideration. Where there has even been a *probable* cause of seizure, sufficient to acquit an officer, the jury are to assess whatever damages may have accrued from an injury to the article seized, with an allowance for the detention of it, at the rate of six per centum per annum of the value, which damages are to be paid out of the public treasury.

There are other provisions of the act which mark the scrupulous attention of the Government to protect the parties concerned from inconvenience and injury, and which conspire to vindicate the law from imputations of severity or oppression.

The supposed tendency of the act to injure industry, and to interfere with the business of distilling, is endeavored to be supported by some general and

some special reasons, both having relation to the effect of the duty upon the manufacture.

Those of the first kind affirm generally, that duties on home manufactures are impolitic, because they tend to discourage them; that they are particularly so, when they are laid on articles manufactured from the produce of the country, because they have, then, the additional effect of injuring agriculture; that it is the general policy of nations to protect and promote their own manufactures, especially those which are wrought out of domestic materials; that the law in question interferes with this policy.

Observations of this kind admit of an easy answer. Duties on manufactures tend to discourage them, or not, according to the circumstances under which they are laid; and are impolitic, or not, according to the same circumstances. When a manufacture is in its infancy, it is impolitic to tax it, because the tax would be both unproductive, and would add to the difficulties which naturally impede the first attempts to establish a new manufacture, so as to endanger its success.

But when a manufacture (as in the case of distilled spirits in the United States) is arrived at maturity, it is as fit an article of taxation as any other. No good reason can be assigned why the consumer of a domestic commodity should not contribute something to the public revenue, when the consumer of a foreign commodity contributes to it largely. And, as a general rule, it is not to be disputed, that duties on articles of consumption are paid by the consumers.

To the manufacture itself, the duty is no injury, if an equal duty be laid on the rival foreign article. And when a greater duty is laid upon the latter than upon the former, as in the present instance, the difference is a bounty on the domestic article, and operates as an encouragement of the manufacture. The manufacturer can afford to sell his fabric the cheaper, in proportion to that difference, and is so far enabled to undersell and supplant the dealer in the foreign article.

The principle of the objection would tend to confine all taxes to imported articles, and would deprive the Government of resources, which are indispensable to a due provision for the public safety and welfare, contrary to the plain intention of the Constitution, which gives express power to employ those resources when necessary—a power which is found in all governments, and is essential to their efficiency, and even to their existence.

Duties on articles of internal production and manufacture form in every country the principal sources of revenue. Those on imported articles can only be carried to a certain extent, without defeating their object, by operating either as prohibitions, or as bounties upon smuggling. They are, moreover, in some degree temporary; for, as the growth of manufactures diminishes the quantum of duty on imports, the public revenue, ceasing to arise from that source, must be derived from articles which the national industry has substituted for those previously imported. If the Government cannot then resort to internal means for the additional supplies which the

exigencies of every nation call for, it will be unable to perform its duty, or, even to preserve its existence. The community must be unprotected, and the social compact be dissolved.

For the same reasons that a duty ought not to be laid on an article manufactured out of the country (which is the point most insisted upon), it ought not to be laid upon the produce itself, nor consequently upon the land, which is the instrument of that produce; because taxes are laid upon *land*, as the *fund* out of which the *income* of the proprietor is drawn; or, in other words, *on account of its produce*. There ought, therefore, on the principle of the objection, to be neither taxes on land, nor the produce of land, nor on articles manufactured from that produce. And if a nation should be in a condition to supply itself with its own manufactures, there could then be very little or no revenue; of course, there must be a want of the essential means of national justice and national security.

Positions like these, however well meant by those who urge them, refute themselves, because they tend to the dissolution of government by rendering it incapable of providing for the objects for which it is instituted.

However true the allegation, that it is, and ought to be, the prevailing policy of nations to cherish their own manufactures, it is equally true that nations in general lay duties for the purpose of revenue on their own manufactures; and it is obvious, to a demonstration, that it may be done without injury to them. The most successful nations in manufac-

tures have drawn the largest revenues from the most useful of them. It merits particular attention that ardent spirits are an article which has been generally deemed, and made use of, as one of the fittest objects of revenue, and to an extent, in other countries, which bears no comparison with what has been done in the United States.

The special reasons alluded to are of different kinds:

1. It is said that the act in question, by laying a smaller *additional* duty on foreign spirits than the duty on home-made spirits, has a tendency to discourage the manufacture of the latter.

This objection merits consideration, and, as far as it may appear to have foundation, ought to be obviated.

The point, however, seems not to have been viewed, in all its respects, in a correct light.

Before the present Constitution of the United States began to operate, the regulations of the different States respecting distilled spirits were very dissimilar. In some of them, duties were laid on foreign spirits only; in others, on domestic as well as foreign. The absolute duty, in former instances, and the difference of duty in the latter, was, upon an average, considerably less than the present difference in the duties on foreign and home-made spirits. If to this be added the effect of the uniform operation of the existing duties throughout the United States, it is easy to infer that the situation of our own distilleries is, in the main, much better, as far as they are affected by the laws, than it was previous to the

passing of any act of the United States upon the subject. They have, therefore, upon the whole, gained materially under the system which has been pursued by the National Government.

The first law of the United States on this head laid a duty of no more than eight cents per gallon on those of Jamaica proof. The second increased the duty on foreign spirits to twelve cents per gallon, of the lowest proof, and by certain gradations, to fifteen cents per gallon, of Jamaica proof. The last act places the duty at twenty cents per gallon, of the lowest proof, and extends it, by the like gradations, to twenty-five cents per gallon, of Jamaica proof; laying also a duty of eleven cents per gallon on home-made spirits, distilled from foreign materials of the lowest proof, with a like gradual extension to fifteen cents per gallon of Jamaica proof; and a duty of nine cents per gallon on home-made spirits, distilled from domestic materials of the lowest proof, with the like gradual extension to thirteen cents per gallon, of Jamaica proof.

If the transition had been immediate from the first to the last law, it could not have failed to have been considered as a change in favor of our own distilleries, as far as the rate of duty is concerned. The mean duty on *foreign spirits* by the first law was nine cents; by the last the mean *extra* duty on foreign spirits is, in fact, about eleven cents, as it regards spirits distilled from *foreign* materials, and about thirteen as it regards spirits distilled from *domestic* materials. In making this computation, it is to be adverted to that the four first degrees of

proof mentioned in the law correspond with the different kinds of spirits usually imported, while the generality of those made in the United States are of the lowest class of proof.

Spirits from domestic materials derived a double advantage from the last law; that is, from the increased rate of duty on foreign imported spirits, and from a higher rate of duty on home-made spirits of foreign materials.

But the intervention of the second law has served to produce in some places a different impression of the business than would have happened without it. By a considerable addition to the duties on foreign spirits, without laying any thing on those of home manufacture, it has served to give to the last law the appearance of taking away a part of the advantages previously secured to the domestic distilleries. It seems to have been overlooked that the second act ought, in reality, to be viewed only as an intermediate step to the arrangement finally contemplated by the Legislature; and that, as part of a system, it has, upon the whole, operated in favor of the national distilleries. The thing to be considered is the substantial existing difference in favor of the home manufacture as the law now stands.

The advantage, indeed, to the distillation of spirits from the produce of the country, arising from the difference between the duties on spirits distilled from foreign, and those distilled from domestic materials, is exclusively the work of the last act, and is an advantage which has not been properly appreciated by those distillers of spirits from home produce who

have complained of the law as hurtful to their manufacture.

Causes entirely foreign to the law itself have also assisted in producing misapprehension. The approximation of the price of home-made spirits to that of foreign spirits, which has of late taken place, and which is attributed to the operation of the act in question, is in a great degree owing to the circumstances which have tended to raise the price of molasses in the West India market, and to an extra importation of foreign spirits prior to the first of July last, to avoid the payment of the additional duty which then took place.

It is stated in the petition from Salem that previous to the last act, the price of domestic to foreign spirits was as 1*s.* 9*d.* to 3*s.* 4*d.* of the money of Massachusetts per gallon, and that since that act it has become as 3*s.* 3*d.* to 4*s.* 2*d.*

It is evident that a rise from 1*s.* 9*d.* to 3*s.* 3*d.* per gallon, which would be equal to twenty cents, is not to be attributed wholly to a duty of eleven cents. Indeed, if there were a concurrence of no other cause, the inference would be very different from that intended to be drawn from the fact, for it would evince a profit gained to the distiller of more than eighty per cent. on the duty.

It is, however, meant to be understood that this approximation of prices occasions a greater importation and consumption of foreign, and a less consumption of domestic, spirits than formerly. How far this may, or may not be the case, the Secretary is not now able to say with precision, but no facts have

come under his notice officially which serve to authenticate the suggestion; and it must be considered as possible that representations of this kind are rather the effect of apprehension than of experience. It would even be not unnatural that a considerable enhancement of the prices of the foreign article should have led to a greater consumption of the domestic article, as the cheaper of the two, though dearer itself than formerly.

But while there is ground to believe, that the suggestions which have been made on this point are, in many respects, inaccurate and misconceived, there are known circumstances which seem to render advisable some greater difference between the duties on foreign and on home-made spirits. These circumstances have been noticed in the report of the Secretary on the subject of manufactures, and an alteration has been proposed by laying two cents in addition upon imported spirits of the lowest proof, with a proportional increase on the higher proofs, and by deducting one cent from the duty on the lowest proof of home-made spirits, with a proportional diminution in respect to the higher proofs.

This alteration would bring the proportion of the duties nearly to the standard which the petitioner, Hendrick Doyer, who appears likely to be well informed on the subject, represents as the proper one to enable the distillation of Geneva to be carried on with the same advantage as before the passing of the act. He observes, that the duty on home-made Geneva being nine cents, the additional duty on foreign ought to have been twelve cents. By the alteration

proposed, the proportion will be as ten to eight, which is little different from that of twelve to nine.

It is worthy of remark, that the same petitioner states, that, previous to the passing of the act of which he complains, he "could sell his Geneva sixteen and a quarter per cent. under the price of Holland Geneva, but that he cannot do it at present, and in future, lower than fourteen per cent." If, as he also states, the quality of his Geneva be equal to that of Holland, and, if his meaning be, as it appears to be, that he can now afford to sell his Geneva lower, by fourteen per cent. than the Geneva of Holland, it will follow, that the manufacture of that article is in a very thriving train, even under the present rate of duties. For a difference of fourteen per cent. in the price is capable of giving a decided preference to the sale of the domestic article.

2. It is objected, that the duty, by being laid in the first instance upon the distiller, instead of the consumer, makes a larger capital necessary to carry on the business; and, in this country, where capitals are not large, puts the national distiller under disadvantages.

But this inconvenience, as far as it has foundation, in the state of things, is essentially obviated by the credits given. Where the duty is payable upon the quantity distilled, a credit is allowed, which cannot be less than six, and may extend to nine, months. Where the duty is charged on the capacity of the still, it is payable half yearly. Sufficient time is, therefore, allowed, to raise the duty from the sale of the article: which supersedes the necessity of a

greater capital. It is well known, that the article is one usually sold for cash, or at short credit. If these observations are not applicable to distilleries in the interior country, the same may be said, in a great degree, of the objection itself. The course of the business, in that quarter, renders a considerable capital less necessary than elsewhere. The produce of the distiller's own farm, or of the neighboring farms, brought to be distilled upon shares, or compensations in the article itself, constitute the chief business of the distilleries in the remote parts of the country. In the comparatively few instances in which they may be prosecuted as a regular business, upon a large scale, by force of capital, the observations which have been made will substantially apply.

The collection of the duty from the distiller, has, on the other hand, several advantages. It contributes to equality, by charging the article in the first stage of its progress, which diffuses the duty among all classes alike. It the better secures the collection of the revenue, by confining the responsibility to a smaller number of persons, and simplifying the process. And it avoids the necessity of so great a number of officers, as would be required in a more diffused system of collection, operating immediately upon purchasers and consumers. Besides, that the latter plan would transfer whatever inconveniences may be incident to the collection from a smaller to a greater number of persons.

3. It is alleged that the inspection of the officers is injurious to the business of distilling, by laying open its secrets or mysteries.

Different distillers, there is no doubt, practise, in certain respects, different methods in the course of their business, and have different degrees of skill. But it may well be doubted whether, in a business so old and so much diffused as that of the distillation of spirits, there are at this day secrets of consequence to the possessors. There will, at least, be no hazard in taking it for granted that none such exist in regard to the distillation of rum from molasses or sugar, or of the spirits from grain usually called whiskey, or of brandies from the fruits of this country. The cases in which the allegations are made with most color apply to Geneva, and, perhaps, to certain cordials.

It is probable that the course of the business might and would always be such as, in fact, to involve no inconvenience on this score. But, as the contrary is affirmed, and as it is desirable to obviate complaint as far as it can be done consistently with essential principles and objects, it may not be unadvisable to attempt a remedy.

It is to be presumed that, if any secrets exist, they relate to a primary process, particularly the mixture of the ingredients; this, it is supposable, cannot take a greater time each day than two hours. If, therefore, the officers of inspection were enjoined to forbear their visits to the part of the distillery commonly made use of for such process, during a space not exceeding two hours in each day, to be notified by the distiller, there is ground to conclude that it would obviate the objection.

4. The regulations for marking of casks and ves-

sels, as well as houses and buildings, also furnish matter of complaint.

This complaint, as it regards houses and buildings, has been already attended to. But there is a light in which it is made that has not yet been taken notice of.

It is said that the requiring the doors of the apartments, as well as the outer door of each building, to be marked, imposes unnecessary trouble.

When it is considered how little trouble or expense attends the execution of this provision, in the first instance, and that the marks once set will endure for a great length of time, the objection to it appears to be without weight.

But the provision, as it relates to the apartments of buildings, has for its immediate object the convenience of the distillers themselves. It is calculated to avoid the very evil of an indiscriminate search of their houses and buildings by enabling them to designate the *particular apartments* which are employed for the purposes of their business, and to secure all others from inspection and visitation.

The complaint, as it respects the marking of casks and vessels, has somewhat more foundation. It is represented (and upon careful inquiry appears to be true) that, through long-established prejudice, home-made spirits of *equal quality* with foreign, if known to be home-made, will not command an equal price. This particularly applies to Geneva.

If the want of a distinction between foreign and home-made spirits were an occasion of fraud upon consumers, by imposing a worse for a better

commodity, it would be a reason for continuing it; but as far as such a distinction gives operation to a mere prejudice, favorable to a foreign and injurious to a domestic manufacture, it furnishes a reason for abolishing it.

Though time might be expected to remove the prejudice, the progress of the domestic manufacture, in the interval, might be materially checked.

It appears, therefore, expedient to remove this ground of complaint by authorizing the same marks and certificates both for foreign and for home-made Geneva.

Perhaps, indeed, it may not be unadvisable to vest somewhere a discretionary power to regulate the forms of certificates which are to accompany, and the particular marks which are to be set upon casks and vessels containing spirits, generally, as may be found convenient in practice.

Another source of objection with regard to the marking of casks is, that there is a general prohibition against defacing or altering the marks, and a penalty upon doing it, which prevents the using of the same casks more than once, and occasions waste, loss, and embarrassment.

It is conceived that this prohibition does not extend to the effacing of old marks, and placing of new ones, by the officers of the revenue, or in their presence, and by their authority. But as real inconveniences would attend a contrary construction, and there is some room for question, it appears desirable that all doubt should be removed by an explicit provision to enable the officer to efface old marks and

substitute new ones, when casks have been emptied of their former contents and are wanted for new use.

5. The requisition to keep an account from day to day of the quantity of spirits distilled is represented both as a hardship and impossible to be complied with.

But the Secretary is unable to perceive that it can justly be viewed either in the one or in the other light. The trouble of setting down, in the evening, the work of the day in a book prepared for and furnished to the party, must be inconsiderable, and the doing of it would even conduce to accuracy in business.

The idea of impracticability must have arisen from some misconception. It seems to involve a supposition that something is required different from the truth of the fact. Spirits distilled are usually distinguished into high wines, proof spirits, and low wines. It is certainly possible to express each day the quantity of each kind produced, and, where one kind is converted into another, to explain it by brief notes, showing in proper columns the results in those kinds of spirits which are ultimately prepared for sale.

A revision is now making of the forms at first transmitted, and it is not doubted that it will be easy to obviate the objection of impracticability.

On full reflection, the Secretary is of opinion that the requisition in this respect is a reasonable one, and that it is of importance to the due collection of the revenue, especially in those cases where, by the alternative allowed in favor of country distilleries,

the oath of a party is the only evidence of the quantity produced. It is useful in every such case to give the utmost possible *precision* to the object which is to be attested.

6. It is alleged as a hardship, that distilleries are held responsible for the duties on spirits which are exported, till certain things, difficult to be performed, are done, in order to entitle the exporter to the drawback. And the Government relies on the bond of the exporter for a fulfilment of the conditions upon which the drawback is allowed.

This is a misapprehension. The drawback is at all events to be paid in six months, which is as early as the duty can become payable, and frequently earlier than it does become payable.

An explanation to the several collectors of this point, which has taken place since the complaint appeared, will have removed the cause of it.

The same explanation will obviate another objection, founded on the supposition that the bond of the distiller and that of the exporter are for a like purpose. The latter is merely to secure the landing of the goods in a foreign country, and will often continue depending after every thing relative to duty and drawback has been liquidated and finished.

7. It is an article of complaint that no drawback is allowed in case of shipwreck, when spirits are sent from one port to another in the United States.

There does not occur any objection to a provision for making an allowance of that kind, which would tend to alleviate misfortune and give satisfaction.

8. The necessity of twenty-four hours' notice, in

order to the benefit of drawback on the exportation of spirits, and the prohibition to remove them from a distillery after sunset, except in the presence of an officer, are represented as embarrassments to business.

The length of notice required appears greater than is necessary. It is not perceived that any inconvenience could arise from reducing the time to six hours.

But it is not conceived to be necessary or expedient to make an alteration in the last-mentioned particular. The prohibition is of real consequence to the security of the revenue. The course of business will readily adapt itself to it, and the presence of an officer in extraordinary cases will afford due accommodation.

9. It is stated as a hardship, that there is no allowance for leakage and wastage, in the case of spirits shipped from one State to another.

The law for the collection of the duties on imports and tonnage allows two per cent. for leakage, on spirits imported. A similar allowance on home-made spirits at the distillery does not appear less proper.

10. It is mentioned as a grievance, that distillers are required to give bond, *with surety*, for the amount of the duties, and that the sufficiency of the surety is made to depend on the discretion of the chief officer of inspection.

The requiring of sureties can be no more a hardship on distillers, than on importing merchants, and every other person to whom the public afford a

credit. It is a natural consequence of the credit allowed; and a very reasonable condition of the indulgence, which, without this precaution, might be imprudent, and injurious to the United States.

The party has his option to avoid it by prompt payment of the duty, and is even entitled to an abatement, which may be considered as a premium, if he elects to do so.

As to the second point, if sureties are to be given, there must be some person on the part of the Government to judge of their sufficiency, otherwise the thing itself would be nugatory; and the discretion cannot be vested more conveniently for the party, than in the chief officer of inspection for the survey.

A view has now been taken of most, if not of all, the objections of a general nature, which have appeared.

Some few, of a local complexion, remain to be attended to.

The representation signed Edward Cook, chairman, as on behalf of the four most western counties of Pennsylvania, states that the distance of that part of the country from a market for its produce, leads to a necessity of distilling the grain, which is raised, as a principal dependence of its inhabitants; which circumstance, and the scarcity of cash, combine to render the tax in question unequal, oppressive, and particularly distressing to them.

As to the circumstance of equality, it may safely be affirmed to be impracticable to devise a tax which shall operate with exact equality upon every part of the community. Local and other circum-

stances will inevitably create disparities, more or less great.

Taxes on consumable articles have, upon the whole, better pretensions to equality than any other. If some of them fall more heavily on particular parts of the community, others of them are chiefly borne by other parts. And the result is an equalization of the burthen as far as it is attainable. Of this class of taxes it is not easy to conceive one which can operate with greater equality than a tax on distilled spirits. There appears to be no article, as far as the information of the Secretary goes, which is an object of more equal consumption throughout the United States.

In particular districts, a greater use of cider may occasion a smaller consumption of spirits; but it will not be found, on a close examination, that it makes a material difference. A greater or less use of ardent spirits, as far as it exists, seems to depend more on relative habits of sobriety or intemperance than on any other cause.

As far as habits of less moderation, in the use of distilled spirits, should produce inequality anywhere, it would certainly not be a reason with the Legislature either to repeal or lessen a tax, which, by rendering the article dearer, might tend to restrain too free an indulgence of such habits.

It is certainly not obvious how this tax can operate particularly unequally upon the part of the country in question. As a general rule it is a true one, that duties on articles of consumption fall on the consumers, by being added to the price of the

commodity. This is illustrated, in the present instance, by facts. Previous to the law laying a duty on home-made spirits, the price of whiskey was about thirty-eight cents; it is now about fifty-six cents. Other causes may have contributed in some degree to this effect, but it is evidently to be ascribed chiefly to the duty.

Unless, therefore, the inhabitants of the counties which have been mentioned are greater consumers of spirits than those of other parts of the country, they cannot pay a greater proportion of the tax. If they are, it is their interest to become less so. It depends on themselves, by diminishing the consumption, to restore equality.

The argument that they are obliged to convert their grain into spirits, in order to transportation to distant markets, does not prove the point alleged. The duty on all they send to those markets will be paid by the purchasers. They will still pay only upon their own consumption.

As far as an advance is laid upon the duty, or as far as the difference of duty between whiskey and other spirits tends to favor a greater consumption of the latter, they, as greater manufacturers of the article, supposing this fact to be as stated, will be proportionably benefited.

The duty on home-made spirits from domestic materials, if paid by the gallon, is nine cents. From the communications which have been received since the passing of the act, it appears that, paying the rate annexed to the capacity of the still, and using great diligence, the duty may be, in fact, reduced to

six cents per gallon. Let the average be taken at seven and a half cents, which is probably higher than is really paid.

Generally speaking, then, for every gallon of whiskey which is consumed, the consumer may be supposed to pay seven and a half cents; but for every gallon of spirits, distilled from foreign materials, the consumer pays at least eleven cents, and for every gallon of foreign spirits, at least twenty cents. The consumer, therefore, of foreign spirits pays nearly three times the duty, and the consumer of home-made spirits, from foreign materials, nearly fifty per cent. more duty, on the same quantity, than the consumer of spirits from domestic materials, exclusive of the greater price, in both cases, which is an additional charge upon each of the two first-mentioned classes of consumers.

When it is considered that $\frac{8}{9}\frac{}{1}$ parts of the whole quantity of spirits consumed in the United States are foreign, and $\frac{7}{9}\frac{}{1}$ are of foreign materials, and that the inhabitants of the Atlantic and midland counties are the principal consumers of these more highly taxed articles, it cannot be inferred that the tax under consideration bears particularly hard on the inhabitants of the Western country.

This may serve as an exemplification of a general proposition, of material consequence, namely, that if the former descriptions of citizens are able, from situation, to obtain more for their produce than the latter, they contribute proportionally more to the revenue. Numerous other examples, in confirmation of this, might be adduced.

As to the circumstance of scarcity of money, as far as it can be supposed to have foundation, it is as much an objection to any other tax as the one in question. The weight of the tax is not certainly such as to involve any peculiar difficulty. It is impossible to conceive that nine cents per gallon on distilled spirits, which is stating it at the highest, can, from the magnitude of the tax, distress any part of the country, which has an ability to pay taxes at all—enjoying, too, the unexampled advantage of a total exemption from taxes on houses, lands, or stock.

The population of the United States being about four millions of persons, and the quantity of spirits annually consumed between ten and eleven millions of gallons, the yearly proportion to each family, if consisting of six persons, which is a full ratio, would be about sixteen gallons, the duty upon which would be less than *one dollar and a half*. The citizen who is able to maintain a family, and who is the owner or occupier of a farm, cannot feel any inconvenience from so light a contribution; and the industrious poor, whether artisans or laborers, are usually allowed spirits, or an equivalent, in addition to their wages.

The Secretary has no evidence to satisfy his mind that a real scarcity of money will be found, on experiment, a serious impediment to the payment of the tax anywhere. In the quarter where this complaint has particularly prevailed, the expenditures, for the defence of the frontier, would seem alone sufficient to obviate it. To this it is answered that

the contractors for the supply of the army operate with goods, and not with money. But this still tends to keep at home whatever money finds its way there. Nor is it a fact, if the information of the Secretary be not materially erroneous, that the purchases of the contractors of flour, meat, etc., are *wholly* with goods. But, if they were, the Secretary can aver that more money has, in the course of the last year, been sent into the Western country from the treasury, in specie and bank-bills, which answer the same purpose, for the pay of the troops and militia, and for the quartermaster's supplies, than the whole amount of the tax in the four western counties of Pennsylvania and the district of Kentucky is likely to equal in four or five years. Similar remittances are likely to be made in future.

Hence, the Government itself furnishes, and, in all probability, will continue to furnish, the means of paying its own demands, with a surplus which will sensibly foster the industry of the parties concerned, if they avail themselves of it, under the guidance of a spirit of economy and exertion.

Whether there be no part of the United States in which the objection of want of money may truly exist, in a degree to render the payment of the duty seriously distressing to the inhabitants, the Secretary is not able to pronounce. He can only express his own doubt of the fact, and refer the matter to such information as the members of any district, so situated, may have it in their power to offer to the legislative body.

Should the case appear to exist, it would involve

the necessity of a measure, in the abstract, very ineligible, that is, the receipt of the duty in the article itself.

If an alternative of this sort were to be allowed, it would be proper to make it the duty of the party paying *to deliver the article at the place in each county* where the office of inspection is kept, and to regulate the price according to such a standard as would induce a preference of paying in cash, except from a real impracticability of obtaining it.

In regard to the petition from the district of Kentucky, after what has been said with reference to other applications, it can only be necessary to observe that the exemption which is sought by that petition is rendered impracticable by an express provision of the Constitution, which declares that "all duties, imposts, and excises shall be uniform throughout the United States."

In the course of the foregoing examination of the objections which have been made to the law, some alterations have been submitted for the purpose of removing a part of them. The Secretary will now proceed to submit such further alterations as appear to him advisable, arising either from the suggestions of the officers of the revenue or from his own reflections.

1. It appears expedient to alter the distinction respecting distilleries from domestic materials in cities, towns, and villages, so as to confine it to one or more stills worked at the same distillery, the capacity or capacities of which together do not fall short of four hundred gallons.

The effectual execution of the present provisions respecting distilleries from home materials in cities, towns, and villages would occasion an inconvenient multiplication of officers, and would, in too great a degree, exhaust the product of the duty in the expense of collection. It is also probable that the alteration suggested would also conduce to public satisfaction.

2. The present provisions concerning the entering of stills are found by experience not to be adequate, and, in some instances, not convenient.

It appears advisable that there shall be one office of inspection for each county, with authority to the supervisor to establish more than one, if he shall judge it necessary for the accommodation of the inhabitants; and that every distiller, or person having or keeping a still, shall be required to make entry of the same at some office of inspection for the county, within a certain determinate period in each year. It will be proper, also, to enjoin upon every person, who, residing within the county, shall procure a still, or who, removing into a county, shall bring into it a still, within twenty days after such procuring or removal, and before he or she begins to use the still, to make entry at the office of inspection. Every entry, besides describing the still, should specify in whose possession it is, and the purpose for which it is intended, as, whether for sale or for use in distilling; and in the case of a removal of the person from another place into the county, shall specify the place from which the still shall have been brought. A forfeiture of the still ought, in

every case in which an entry is required, to attend an omission to enter.

This regulation, by simplifying the business of entering stills, would render it easier to comprehend and comply with what is required, would furnish the officers with a better rule for ascertaining delinquencies, and, by avoiding to them a considerable degree of unnecessary trouble, will facilitate the retaining of proper characters in the offices of collectors.

3. It is represented that difficulties have, in some instances, arisen, concerning the persons responsible for the duty. The apparent not being always the real proprietor, an opportunity for collusion is afforded; and without collusion the uncertainty is stated as a source of embarrassment.

It also, sometimes, happens that certain itinerant persons, without property, complying with the preliminary requisitions of the law as to entry, etc., erect and work stills for a time, and before a half yearly period of payment arrives, remove and evade the duty.

It would tend to remedy these inconveniences if possessors and proprietors of stills were made jointly and severally liable, and if the duty were made a *specific lien* on the still itself; if, also, the proprietor of the land upon which any still may be worked should be made answerable for the duty, except where it is worked by a lawful and *bona-fide* tenant of the land of an estate not less than for a term of one year, or unless such proprietor can make it appear that the possessor of the still was, during the whole time, without his privity or connivance, an

intruder or trespasser on the land; and if, in the last place, any distiller, about to remove from the division in which he is, should be required, previous to such removal, to pay the tax for the year, deducting any prior payments, or give bond, with approved security, conditioned for the payment of the full sum for which he or she should be legally accountable to the end of the year, to the collector of the division to which the removal shall be, rendering proof thereof, under the hand of the said collector, within six months after the expiration of the year.

As well with a view to the forfeiture of the still for non-entry, as to give effect to a *specific lien* of the duty (if either or both of these provisions should be deemed eligible), it will be necessary to enjoin it upon the officers of the revenue to identify, by proper marks, the several stills which shall have been entered with them.

4. The exemptions granted to stills of the capacity of fifty gallons and under, by the 36th section of the law, appear, from experience, to require revision.

Tending to produce inequality, as well as to frustrate the revenue, they have excited complaint. It appears, at least, advisable, that the obligation to enter, as connected with that of *paying duty*, should extend to stills of all dimensions, and that it should be enforced, in every case, by the same penalty.

5. The 28th section of the act makes provision for the seizure of spirits, unaccompanied with marks and certificates, in the cases in which they are required; but as they are required only in certain cases, and there is no method of distinguishing the

spirits, in respect to which they are necessary, from those in respect to which they are not necessary, the provision becomes nugatory, because an attempt to enforce it would be oppressive. Hence, not only a great security for the due execution of the law is lost, but seizures very distressing to unoffending individuals must happen, notwithstanding great precaution to avoid them.

It would be, in the opinion of the Secretary, of great importance to provide, that all spirits whatsoever, in casks or vessels of the capacity of twenty gallons and upwards, should be marked and certified, on pain of seizure and forfeiture, making it the duty of the officers to furnish the requisite certificates *gratis*, to distillers and dealers, in all cases in which the law shall have been complied with.

In those cases in which an occasional recurrence to the officers for certificates might be inconvenient, blanks may be furnished, to be accounted for. And it may be left to the parties themselves, in the like cases, to mark their own casks or vessels in some simple manner, to be defined in the law. These cases may be designated generally. They will principally relate to dealers who, in the course of their business, draw off spirits from larger to smaller casks, and to distillers who pay according to the capacities of their stills.

As a part of a regulation of this sort it will be necessary to require that within a certain period, sufficiently long to admit of time to know and comply with the provision, entry shall be made by all dealers and distillers of all spirits in their respective

possessions, which shall not have been previously marked and certified according to law, in order that they may be marked and certified as old stock.

The regulations here proposed, though productive of some trouble and inconvenience in the outset, will be afterwards a security both to individuals and to the revenue.

6. At present spirits may not be imported from abroad in casks of less capacity than fifty gallons. The size of these casks is smaller than is desirable, so far as the security of the revenue is concerned, and there has not occurred any good objection to confining the importation to larger casks,—that is to say, to casks of not less than ninety gallons. Certainly, as far as respects rum from the West Indies, it may be done without inconvenience, being conformable to the general course of business. The result of examination is that the exception as to this particular, in favor of gin, may be abolished. Should any alteration on this subject take place, it ought not to begin to operate till after the expiration of the year.

7. There is ground to suppose that the allowance of drawback, without any limitation as to quantity, has been abused. It is submitted that none be made on any less quantity than one hundred and fifty gallons.

8. There is danger that facility may be given to illicit importations by making use of casks which have been once regularly marked, and the certificates which have been issued with them, to cover other spirits than those originally contained in such

casks. Appearances which countenance suspicion on this point have been the subjects of representation from several quarters.

The danger may be obviated by prohibiting the importation in such marked casks on pain of forfeiture both of the spirits and of any ship or vessel in which they may be brought. A prohibition of this sort does not appear liable to any good objection.

9. The duty of sixty cents per gallon of the capacity of a still was founded upon a computation that a still of any given dimensions, worked *four* months in the year, which is the usual period of country distillation, would yield a quantity of spirits, which, at the rate of nine cents per gallon, would correspond with sixty cents per gallon of the capacity of the still. It will deserve consideration whether it will not be expedient to give an option to country distillers, at the annual entry of their stills, to take out a license for any portion of the year which they may respectively think fit, and to pay at the rate of twelve and a half cents per gallon of the capacity, per month, during such period. This to stand in lieu of the alternative of paying by the gallon distilled; it would obviate in this case the necessity of accounting upon oath, and would leave it in the power of each distiller to cover the precise time he meant to work his still with a license, and to pay for that time only. A strict prohibition to distil at any other time than that for which the license was given would be of course necessary to accompany the regulation as far as regarded any such licensed distiller.

The only remaining points which have occurred, as proper to be submitted to the consideration of the Legislature, respect the officers of the revenue.

It is represented that, in some instances, from the ill humor of individuals, the officers have experienced much embarrassment in respect to the filling of stills with water to ascertain their capacity, which, upon examination, is found the most simple and practicable mode. The proprietors have, in some instances, not only refused to aid the officers, but have even put out of their way the means by which the filling might be conveniently accomplished.

It would conduce to the easy execution of the law, and to the very important purpose of retaining and procuring respectable characters as collectors, if the proprietors and possessors of stills were required to aid them in the execution of this part of their duty, or to pay a certain sum as a compensation for the doing of it.

The limits assigned in the law respecting compensations are found in practice essentially inadequate to the object.

This is so far the case that it becomes the duty of the Secretary to state that greater latitude in this particular is *indispensable to the effectual execution of the law.*

In the most productive divisions the commissions of the collectors afford but a moderate compensation. In the greatest part of them the compensation is glaringly disproportioned to the service; in many of them it falls materially short of the expense of the officer.

It is believed that in no country whatever has the collection of a similar duty been effected within the limit assigned. Applying in the United States to a *single* article only, and yielding consequently a less total product than where many articles are comprehended, the expense of collection must of necessity be proportionally greater.

It appears to the Secretary that seven and a half per cent. of the total product of the duties on distilled spirits, foreign as well as domestic, and not less, will suffice to defray the compensations to officers and other expenses incidental to the collection of the duty. This is to be understood as supplemental to the present custom-house expenses.

It is unnecessary to urge to the House of Representatives how essential it must be to the execution of the law, in a manner effectual to the purposes of the Government and satisfactory to the community, to secure by competent though moderate rewards the *diligent services* of respectable and trustworthy characters.

All which is humbly submitted.

ALEXANDER HAMILTON,
Secretary of the Treasury.

ADDITIONAL SUPPLIES FOR 1792

Communicated to the House of Representatives, March 17, 1792.

TREASURY DEPARTMENT, March 16, 1792.

The Secretary of the Treasury, pursuant to a resolution of the House of Representatives, of the

8th instant, directing the said Secretary to report to the House his opinion of the best mode of raising the additional supplies requisite for the ensuing year, respectfully submits the following report:

The sum which is estimated to be necessary for carrying into effect the purposes of the act for making further and more effectual provision for the protection of the frontiers of the United States, beyond the provision made by the act making appropriations for the support of Government for the year 1792, is $675,950.08.

The returns which have been received at the treasury subsequent to the Secretary's report of the 23d of January last, among which are those of some principal ports, afford satisfactory ground of assurance that the quarter ending the last of December was considerably more productive than it was supposed likely to prove, authorizing a reliance that the revenues, to the end of the year 1791, will yield a surplus of $150,000, which may be applied in part of the sum of $675,950.08, above stated to be necessary.

Provision remains to be made for the residue of this sum, namely, $525,950.08.

Three expedients occur to the option of the Government for providing this sum.

One, to dispose of the interest to which the United States are entitled in the Bank of the United States. This, at the present market price of bank stock, would yield a clear gain to the Government much more than adequate to the sum required.

Another, to borrow the money upon an establishment of funds, either merely commensurate with the interest to be paid, or affording a surplus which will discharge the principal by instalments within a short time.

The third is to raise the amount by taxes.

The first of these three expedients appears to the Secretary altogether unadvisable.

First. It is his present opinion that it will be found, in various respects, permanently the interest of the United States to retain the interest to which they are entitled in the bank. But,

Secondly. If this opinion should not be well founded, it would be improvident to dispose of it at the present juncture, since, upon a comprehensive view of the subject, it can hardly admit of a doubt that its future value, at a period not very distant, will be considerably greater than its present, while the Government will enjoy the benefit of whatever dividends shall be declared in the interval. And,

Thirdly. Whether it shall be deemed proper to retain or dispose of this interest, the most useful application of the proceeds will be as a fund for extinguishing the public debt. A necessity of applying it to any different object, if it should be found to exist, would be matter of serious regret.

The second expedient would, in the judgment of the Secretary, be preferable to the first.

For this, the following reason, if there were no other, is presumed to be conclusive, namely, that the probable increase of the value of the stock may itself be estimated as a considerable, if not a suffi-

cient, fund for the repayment of the sum which might be borrowed.

If the measure of a loan should be thought eligible, it is submitted, as most advisable, to accompany it with a provision sufficient not only to pay the interest, but to discharge the principal within a short period. This will at least mitigate the inconvenience of making an addition to the public debt.

But the result of mature reflection is, in the mind of the Secretary, a strong conviction that the last of the three expedients which have been mentioned, is to be preferred to either of the other two.

Nothing can more interest the national credit and prosperity than a constant and systematic attention to husband all the means previously possessed for extinguishing the present debt, and to avoid as much as possible the incurring of any new debt.

Necessity alone, therefore, can justify the application of any of the public property, other than the annual revenues, to the current service, or to the temporary and casual exigencies of the country, or the contracting of an additional debt, by loans, to provide for those exigencies.

Great emergencies, indeed, might exist, in which loans would be indispensable. But the occasions which will justify them must be truly of that description.

The present is not of such a nature. The sum to be provided is not of magnitude enough to furnish the plea of necessity.

Taxes are never welcome to a community. They

seldom fail to excite uneasy sensations, more or less extensive. Hence, a too strong propensity in the governments of nations to anticipate and mortgage the resources of posterity, rather than encounter the inconveniences of an increase of taxes.

But this policy, when not dictated by very peculiar circumstances, is of the worst kind. Its obvious tendency is, by enhancing the permanent burthens of the people, to produce lasting distress, and its natural issue is in national bankruptcy.

It will be happy if the councils of this country, sanctioned by the voice of an enlightened community, shall be able to pursue a different course.

Yielding to this impression, the Secretary proceeds to state, for the consideration of the House, the objects which have occurred to him as most proper to be resorted to for raising the requisite sum by taxes.

From the most careful view which he is able to take of all the circumstances that at the present juncture naturally enter into consideration, he is led to conclude that the most eligible mode in which the necessary provision can at this time be made is by some additional duties on imported articles.

This conclusion is made with reluctance, for reasons which were noticed upon a former occasion, and from the reflection that frequent and unexpected alterations in the rates of duties on the objects of trade, by inducing uncertainty in mercantile speculations and calculations, are really injurious to commerce, and hurtful to the interests of those who carry it on.

The stability of the duties to be paid by the merchants, is, in fact, of more consequence to them than their quantum, if within reasonable bounds.

It were, therefore, much to have been wished, that so early a resort to new demands, on that class of citizens, could have been avoided, and, especially, that they could have been deferred until a general tariff could have been maturely digested, upon principles which might, with propriety, render it essentially stationary.

But, while there are these motives to regret, there are others of a consoling tendency, some of which indicate that an augmentation of duties, at the present juncture, may have the effect of lessening some public evils, and producing some public benefits.

It is a pleasing fact, if the information of the Secretary be not very erroneous, that the improved state of the credit of this country enables our merchants to procure the supplies which they import from abroad upon much more cheap and advantageous terms than heretofore; a circumstance which must alleviate to them the pressure of somewhat higher rates of duty, and must contribute, at the same time, to reconcile them to burthens, which, being connected with an efficacious discharge of the duty of the Government, are of a nature to give solidity and permanency to the advantages they enjoy under it.

It is certain, also, that a spirit of manufacturing prevails at this time, in a greater degree than it has done at any antecedent period; and, as far as an

increase of duties shall tend to second and aid this spirit, they will serve to promote essentially the industry, the wealth, the strength, the independence, and the substantial prosperity of the country.

The returns for a year, ending with the thirtieth of September last, an abstract of which is in preparation to be communicated to the Legislature, evince a much increased importation during that year, greater far than can be referred to a naturally increasing demand from the progress of population, and announce a probability of a more than proportional increase of consumption; there being no appearance of an extraordinary abundance of goods in the market. If, happily, an extension of the duties shall operate as a restraint upon excessive consumption, it will be a salutary means of preserving the community from future embarrassment, public and private. But, if this should not be the case, it is at least prudent in the Government to extract from it the resources necessary for current exigencies, rather than postpone the burthen to a period when that very circumstance may cause it to be more grievously felt.

These different considerations unite with others, which will suggest themselves, to induce, in the present state of things, a preference of taxes on imported articles to any other mode of raising the sum required.

It is, therefore, respectfully submitted, that the existing duties on the articles hereafter enumerated, be repealed, and that, in place of them, the following be laid, viz.:

WINES.

	Per Gall.
Madeira, of the quality of London particular	$0 56
Madeira, of the quality of London market	49
Other Madeira wine	40
Sherry	33
St. Lucar	30
Lisbon	25
Oporto	25
Teneriffe and Fayal	20

All other wines, 40 per centum ad valorem.

SPIRITS.

Those distilled wholly or chiefly from grain.

	Per Gall.
Of the first class of proof	$0 28
Of the second " "	29
Of the third " "	31
Of the fourth " "	34
Of the fifth " "	40
Of the sixth " "	50

OTHER DISTILLED SPIRITS.

	Per Gall.
Of the second class of proof, and under	$0 24
Of the third " "	27
Of the fourth " "	31
Of the fifth " "	37
Of the sixth " "	45
Beer, ale, and porter	per gallon, 0 08
Steel	per cwt., 1 00
Nails	per lb., 2
Cocoa	" 2
Chocolate	" 3
Playing cards	per pack, 25
Shoes and slippers of silk	20

Shoes and slippers of stained or colored leather (other than black), for men and women .	$0 10
Ditto for children	7
All other shoes and slippers (for men and women), clogs and goloshes	10
All other shoes and slippers for children . .	7

ARTICLES AD VALOREM.

15 per cent. ad valorem.

China wares.
Looking-glass, window, and other glass, and all manufactures of glass, black quart bottles excepted.
Muskets.
Pistols.
Swords, cutlasses, hangers, and other fire- and side-arms
Starch.
Hair powder.
Wafers.
Glue.

10 per cent. ad valorem.

Cast, slit, and rolled iron, and generally all manufactures of iron, steel, tin, pewter, copper, brass, or of which either of these metals is the article of chief value (not being otherwise particularly enumerated).
Leather, tanned and tawed, and all manufactures of leather, or of which leather is the article of chief value (not being otherwise particularly enumerated).
Cabinet wares.
Medicinal drugs, except those commonly used in dyeing.
Hats, caps, and bonnets, of every sort.
Gloves and mittens.
Stockings.
Millinery, ready made.

Artificial flowers, feathers, and other ornaments for women's head-dresses.
Fans.
Dolls, dressed and undressed.
Toys.
Buttons of every kind.
Carpets and carpeting, mats and floor-cloths.
Sail-cloth.
Sheathing and cartridge paper.
All powders, pastes, balls, balsams, ointments, oils, waters, washes, tinctures, essences, liquors, or other preparation or composition, commonly called sweet scents, odors, perfumes, or cosmetics.
All dentifrice, powders, tinctures, preparations, or compositions, whatsoever, for the teeth or gums.
Printed books, except those specially imported for a college, academy or other public or incorporated seminary of learning or institution, which shall be wholly exempted from duty.

The foregoing duties to be permanently established, and to be appropriated, in the first place, to the payment of the interest of the public debt; in the second, to such other grants and appropriations as have been heretofore made; and in the third, to the purposes of the act for making further and more effectual provision for the protection of the frontiers of the United States.

An addition of two and a half per cent. ad valorem to be made to the duty on all goods heretofore rated at five per centum ad valorem.

This addition to be temporary, and accordingly to be so established as that it shall not continue

longer than till the present Indian war shall terminate, and the expenses of carrying it on shall have been defrayed, which will of course include the reimbursement of any sums that may have been borrowed by way of anticipation of the product of the duties.

It is represented that the present duty on salt operates unequally, from the considerable difference in weight, in proportion to quantity, of different kinds of salt; a bushel weighing from about fifty-six to upward of eighty weight. It would have an equalizing effect if the bushel were defined by weight; and if fifty-six pounds were taken as the standard, a valuable accession to the revenue would result.

This regulation is, therefore, submitted as a resource upon the present occasion; the rate of duty to remain as it is.

It will be a reasonable accommodation to trade, if it is made a part of this arrangement, to extend the credit for the duty on salt to a longer term. It is an article which, from the circumstances of its importation, frequently lies on hand for a considerable time; and in relation to the fisheries, is usually sold upon a credit of several months.

Some remarks may be proper in regard to the proposed duties. Those on spirits and wines may appear high. They are, doubtless, considerable. But there are precedents, elsewhere, of much higher duties on the same articles. And it is certainly, in every view, justifiable to make a free use of them for the purpose of revenue.

Wines, generally speaking, are the luxury of classes

of the community who can afford to pay a considerable duty upon them.

It has appeared advisable to adhere to the idea of a specific duty per quantity on all the species of wines in most common consumption in the country, and those most susceptible of precise designation, as affording greatest certainty to the revenue; and to adopt a general ad-valorem rate for other kinds, proportioned to the specific duties. This rate is forty per cent.

The distinction has proceeded from the difficulty of a precise enumeration of all the other kinds of wine which are, and may be, imported, and of such an adjustment of specific rates as will bear some reasonable proportion to the value of the article. The present lowest rate of duty on wines amounts to two hundred and three hundred per cent. on the value of certain kinds, which may be considered as equivalent to a prohibition.

While, therefore, ideas of proportion will be better consulted than heretofore by the proposed arrangement, it is probable that the revenue will be benefited, rather than injured, by a reduction of the duties on low-priced wines.

The considerations which render ardent spirits a proper object of high duties have been repeatedly dwelt upon. It may be added, that it is a familiar and a just remark that the peculiarly low price of ardent spirits in this country is a great source of intemperance.

To bring the price of the article more nearly to a level with the price of it in other markets by an

increase of duty, while it will contribute to the advancement of the revenue, cannot but prove, in other respects, a public benefit.

The rates proposed will be still moderate, compared with examples in other countries; and the article is of a nature to enable the importer, without difficulty, to transfer the duty to the consumer.

A discrimination is suggested in respect to duties on spirits distilled from grain. To this there have been two inducements: one, that the difference in the duty is conformable to the difference between the cost of the grain spirits usually imported, and that of West India rum. Another, that it is in a particular manner the interest of the United States to favor the distillation of its own grain, in competition with foreign spirits from the same material. In the second division of spirits, the first class of proof is dropped, because none of it comes from the West Indies, and because any other spirits, usually imported, which may be of so low a proof, are higher priced, even than some of the higher proofs of West India spirits. The dropping of that class of proof, therefore, in this case, is favorable to the revenue, and favorable to equality.

Several of the other specific duties which are proposed, besides the inducements to them as items of revenue, are strongly recommended by considerations which have been stated in the report of the Secretary, on the subject of manufactures. The same report states inducements to a 15 per cent. duty on some of the articles which are mentioned, as proper to be comprised under that rate.

With regard to china and glass, there are two weighty reasons for a comparatively high duty upon them. The use of them is very limited, except by the wealthier classes; and both their bulk and liability to damage in transportation are great securities against evasions of the revenue. It will, however, merit consideration, whether, for the accommodation of importers, a longer term of credit ought not to be allowed on these articles.

A duty of two cents per pound on cocoa is less, in proportion to the value, than the present duty on coffee. As an extensive article of consumption, it is a productive one of revenue.

The duty on playing-cards can give rise to no question except as to the practicability of a safe collection. In order to this, it will be proper to superadd certain precautions, which will readily occur in regulating the details of a bill for the purpose. A similar attention will be requisite in regard to the duties on wines. The employment of marks and certificates may advantageously be extended to this article.

The rate of 10 per centum ad valorem, it is hoped, will not be deemed immoderate in relation to the articles to which it is proposed to apply it. It is difficult to assign rules for what ought to be considered as a just standard. But, after the best consideration which the Secretary has been able to bestow upon it, he cannot discover that any real inconvenience is likely, permanently, to result from the extension of that rate to the cases proposed.

The addition of 2½ per cent. to the duty on the mass of articles now rated at five, will constitute an important, though not an excessive, augmentation. Nevertheless, it is proposed that it shall be only temporary; and there is reasonable ground of expectation, that the cause for having recourse to it will not be of very long continuance.

It will not have escaped the observation of the House, that the duties which were suggested in the Secretary's report on that subject, as encouragements to manufactures, are, for the most part, included among the objects of this report.

It may tend to avoid future embarrassment, if such abolitions and drawbacks as shall be deemed expedient, with a view to promoting manufactures, shall accompany the establishment and appropriation of whatever further duties may be laid, for the object in contemplation. And it may be found convenient to qualify the appropriation of the surplus which is to be applied to that object, so as to let in such other appropriations, during the session, as occurrences may suggest.

An estimate of the additional revenue which may be expected from the proposed duties is subjoined.

It will occur to the House, that the credit allowed for the duties will require an anticipation of their product by a temporary loan, for which provision in the law will be requisite.

All which is humbly submitted.

ALEXANDER HAMILTON,
Secretary of the Treasury.

HAMILTON TO SHORT [1]

(Cabinet Paper.)

TREASURY DEPARTMENT, April 16, 1792.

SIR:

The fluctuation of the price of the stocks in the United States is a circumstance that cannot have failed to attract your attention, nor to excite a temporary feeling in the minds of foreigners. Though I doubt not it will be well explained by the agents of those citizens of other countries who have vested their moneys in our funds, I think it necessary that some ideas should be communicated to you, on which you can found a true opinion, either for your own satisfaction or that of persons interested in our national welfare, with whom you may have occasion to confer.

The moderate size of the domestic debt of the United States appears to have created the most intemperate ideas of speculation in the minds of a very few persons, whose natural ardor had been increased by great success in some of the early stages of the melioration of the market value of the stock. To combinations of private capitals thus acquired or increased, sums of specie, obtained as well at the most extravagant rates of premium as

[1] William Short, of Virginia. Born, 1759; died at Philadelphia, 1849. He was Jefferson's Secretary of Legation at Paris, 1784. In 1789 he was appointed by Washington Chargé d'Affaires at Paris, and in 1792 Minister to Holland, whence he was transferred to Spain in 1794, acting first in the capacity of commissioner and afterwards of minister. He was an able and successful diplomatist, and had charge of all the business of the foreign loans, and of funding and paying the foreign debt.

at common interest, were added, and to these were joined purchases of stock on credits, for various terms, so as to create a delusive confidence that the concentration of so much stock in a few hands would secure a very high market rate. This expectation was increased by comparing the market values of the several species of our funds, with those of the same species of stock in Great Britain, the United Netherlands, and other parts of Europe, without due allowance for the deductions which should have been made on account of the great difference in the value of money, and the objections arising from our distance from those European money-holders whose capitals they expected to attract, and other relative circumstances. At the time when many heavy engagements thus formed were becoming due, some contentions among the dealers in, and proprietors of, the debt, took place, and counter combinations were formed to render the crisis of payment and speculation as inconvenient and disadvantageous as possible. By these means those eventual contracts, it was probably hoped, could be more cheaply complied with; and, moreover, that a reduced market would afford further opportunities of beneficial speculation. The extreme indiscretion of the first-mentioned speculations, and the distress which, it was manifest, they must produce, excited, perhaps, and animated the movements of the other party, and brought on a scene of private distress for money, both artificial and real, which probably has not been equalled in this country. It happened in the winter season,

when the influx of cash articles of trade, as returns from abroad, is nearly suspended, and when quantities of specie were sent from the seaports to the interior country, for the purchase of produce to supply the demand for the spring exportation.

The banks, who can always perceive the approach of these things, were influenced to limit their operations, and particularly the Bank of the United States, which was then preparing for the opening of its branches, or offices of discount and deposit, in Boston, New York, Baltimore, and Charleston.

The United States, you would presume, could not be insensible of so fit a moment to make purchases of the public stock, and the Treasurer was accordingly authorized to buy; but, though the appearances of private distress for money were so great, he could not obtain for several days the sum of fifty thousand dollars, at the highest rates at which the public purchases had before been made. The holders who were free from engagements were averse to selling; the principal persons, who were under engagements they could not comply with, were obliged or disposed to place their effects in the hands of their creditors, who did not choose to add to their own disappointments of great profits actual losses by unseasonable sales of the bankrupts' property. The stock in the market, therefore, was really made scarce. A quarter's interest has just been paid. Some of the cautious moneyed people have begun to purchase. The specie is returning from the country, and the heaviest private engagements having now fallen due, the declension of stock may be considered

as arrested. There is little doubt that the difficulty for money among the dealers in the debt will be at no time so great as it has been, after the present week, and that changes of a favorable complexion are to be confidently expected; at first moderate, perhaps, afterwards such as will carry the funds up to their due value.

Should you be of opinion that the state of things in France will render some intimation of these events useful there, you will be good enough to communicate them to Mr. Morris, our minister at that court.

HAMILTON TO WASHINGTON [1]

(Cabinet Paper.)

PHILADELPHIA, August 18, 1792.

SIR:

I am happy to be able, at length, to send you answers to the objections which were communicated in your letter of the 29th of July.

They have unavoidably been drawn in haste, too much so, to do perfect justice to the subject, and have been copied just as they flowed from my heart and pen, without revision or correction. You will observe that here and there some severity appears. I have not fortitude enough always to hear with calmness calumnies which necessarily include

[1] This important letter is in reply to one from Washington, dated July 29, 1792, at Mount Vernon, giving the opinions he had heard expressed in Virginia as to the new government, and also certain objections to the financial policy offered by Col. George Mason at the instigation, probably, of Jefferson. It is printed here, because it is in effect a defence of the funding system.

me, as a principal agent in the measures censured, of the falsehood of which I have the most unqualified consciousness. I trust I shall always be able to bear, as I ought, imputations of errors of judgment; but I acknowledge that I cannot be entirely patient under charges which impeach the integrity of my public motives or conduct. I feel that I merit them *in no degree;* and expressions of indignation sometimes escape me, in spite of every effort to suppress them. I rely on your goodness for the proper allowances.

With high respect and the most affectionate attachment, I have the honor to be, sir, etc.

OBJECTIONS [1] AND ANSWERS RESPECTING THE ADMINISTRATION OF THE GOVERNMENT

OBJECTION 1.—The public debt is greater than we can possibly pay before other causes of adding to it will occur; and this has been artificially created by adding together the *whole amount* of the debtor and creditor sides of the accounts.

ANSWER.—The public debt was produced by the late war. It is not the fault of the present government that it exists, unless it can be proved that public morality and policy do not require of a government an honest provision for its debts. Whether it is greater than can be paid before new causes of adding to it will occur, is a problem incapable of being

[1] These objections are all repeated from Washington's letter, which it is, therefore, needless to reprint here.

solved, but by experience; and this would be the case if it were not one fourth as much as it is. If the policy of the country be prudent, cautious, and neutral towards foreign nations, there is a rational probability that war may be avoided long enough to wipe off the debt. The Dutch, in a situation not near so favorable for it as that of the United States, have enjoyed intervals of peace longer than with proper exertions would suffice for the purpose. The debt of the United States, compared with its present and growing abilities, is really a very light one. It is little more than 15,000,000 of pounds sterling—about the annual expenditure of Great Britain.

But whether the public debt shall be extinguished or not, within a moderate period, depends on the temper of the people. If they are rendered dissatisfied by misrepresentations of the measures of the government, the government will be deprived of an efficient command of the resources of the community toward extinguishing the debt. And thus those who clamor are likely to be the principal causes of protracting the existence of the debt.

As to its having been artificially increased, this is denied; perhaps, indeed, the true reproach of the system which has been adopted is, that it has artificially diminished the debt, as will be explained by and by.

The assertion that the debt has been increased, by adding together the whole amount of the debtor and creditor sides of the account, not being easy to be understood, is not easy to be answered; but an answer shall be attempted.

The thirteen States, in their *joint* capacity, owed a *certain* sum. The same States, in their *separate* capacities, owed *another sum*. These two sums constitute the *aggregate* of the *public debt*. The PUBLIC, in a political sense, compounded of the governments of the Union and of the several States, was the DEBTOR. The individuals who hold the various evidences of debt were the CREDITORS. It would be nonsense to say, that the combining of *the two parts* of the public debt is adding together the debtor and creditor sides of the account. So great an absurdity cannot be supposed to be intended by the objection. Another meaning must therefore be sought for.

It may possibly exist in the following misconception. The States, individually, when they liquidated the accounts of individuals for services and supplies toward the common defence, during the late war, and gave certificates for the sums due, would naturally charge them to the United States as contributions to the common cause. The United States, in assuming to pay those certificates, charge themselves with them. And it may be supposed that here is a double charge for the same thing.

But as the amount of the sum assumed for each State is by the system adopted to be charged to such State, it of course goes in extinguishment of so much of the first charge as is equal to the sum assumed, and leaves the United States chargeable only once, as ought to be the case.

Or perhaps the meaning of the objection may be found in the following mode of reasoning. Some States, from having disproportionately contributed

during the war, would probably on a settlement of accounts be found debtors, independently of the assumption. The assuming of the debts of such States increases the balances against them; and as these balances will ultimately be remitted, from the impracticability of enforcing their payment, the sum assumed will be an extra charge upon the United States, increasing the mass of the debt.

This objection takes it for granted, that the balances of the debtor States will not be exacted; which, by the way, is no part of the system, and if it should eventually not prove true, the foundation of the reasoning would fail. For it is evident, if the balances are to be collected, (unless there be some undiscovered error in the principle by which the accounts are to be adjusted,) that one side of the account will counterpoise the other, and every thing as to the quantum of debt will remain *in statu quo.*

But it shall be taken for granted, that the balances will be remitted; and still the consequence alleged does not result. The reverse of it may even take place. In reasoning upon this point, it must be remembered that impracticability would be alike an obstacle to the collection of balances, without, as with the assumption.

This being the case, whether the balances to be remitted will be increased or diminished must depend on the relative proportions of outstanding debts. If a former *debtor* State owes to individuals a smaller sum, in proportion to its contributive faculty, than a former *creditor* State, the assumption of the debts of both to be provided for out of a *common*

fund raised upon them proportionally, must necessarily, on the idea of a remission of balances, tend to restore equality between them, and lessen the balance of the debtor State to be remitted.

How the thing may work upon the whole cannot be pronounced without a knowledge of the situation of the account of each State; but all circumstances that are known render it probable that the ultimate effect will be favorable to justice between the States, and that there will be inconsiderable balances either on one side or on the other.

It was observed, that perhaps the true reproach of the system which has been adopted is, that it has artificially decreased the debt. This is explained thus:

In the case of the debt of the United States, interest upon two thirds of the principal only, at six per cent., is immediately paid; interest upon the remaining third was deferred for ten years, and only three per cent. has been allowed upon the arrears of interest, making one third of the whole debt.

In the case of the separate debts of the States, interest upon four ninths only of the entire sum is immediately paid; interest upon two ninths was deferred for ten years, and only three per cent. allowed on three ninths.

The market rate of interest, at the time of adopting the funding system, was six per cent. Computing, according to this rate of interest, the then present value of one hundred dollars of debt, upon an average, principal and interest, was about seventy-three dollars.

At the present *actual* value, in the market, of one hundred dollars, as the several kinds of stock are sold, is no more than eighty-three dollars and sixty-one cents. This computation is not made on equal sums of the several kinds of stock, according to which the average value of one hundred dollars would be only seventy-eight dollars and seventy-five cents; but it is made on the proportions which constitute the mass of the debt.

At seventy-three to one hundred, the diminution on 60,000,000 is 16,200,000 dollars; at eighty-three dollars and sixty-one cents to one hundred, it is 9,834,000 dollars.

But as the United States, having a right to redeem in certain proportions, need never give more than par for the six per cents., the diminution to them, as purchasers at the present market prices, is 12,168,000 dollars.

If it be said that the United States are engaged to pay the whole sum, at the nominal value, the answer is, that they are always at liberty, if they have the means, to purchase at the market prices; and in all those purchases they gain the difference between the nominal sums and the lesser market rates.

If the whole debt had been provided for at six per cent., the market rate of interest when the funding system passed, the market value throughout would undoubtedly have been one hundred for one hundred. The debt may then rather be said to have been artificially decreased by the nature of the provision.

The conclusion from the whole is that, assuming

it as a principle that the public debts of the different descriptions were honestly to be provided for and paid, it is the reverse of true that there has been an artificial increase of them. To argue on a different principle, is to presuppose dishonesty, and make it an objection to doing right.

OBJECTION 2.—This accumulation of debt has taken for ever out of our power those easy resources of revenue which, applied to the ordinary necessities and exigencies of government, would have animated them habitually, and covered us from habitual murmurings against taxes and tax-gatherers;—reserving extraordinary calls for extraordinary occasions, would animate the people to meet them.

ANSWER.—There having been no accumulation of debt, if what is here pretended to have been the consequence were true, it would only be to be regretted as the unavoidable consequence of an unfortunate state of things. But the supposed consequence does by *no means* exist. The only sources of taxation which have been touched are imported articles, and the single internal object of distilled spirits; lands, houses, the great mass of personal as well as the whole of real property, remain essentially free.

In short, the chief sources of taxation are free for extraordinary conjunctures, and it is one of the distinguishing merits of the system which has been adopted, that it has rendered this far more the case than it was before. It is only necessary to look into the different States to be convinced of it. In most of them, real estate is wholly exempted. In some, very small burthens rest upon

it for the purpose of the internal governments. In all, the burthens of the people have been lightened. It is a mockery of truth to represent the United States as a community burthened and exhausted by taxes.

OBJECTION 3.—That the calls for money have been no greater than we must generally expect, for the same or equivalent exigencies; yet we are already obliged to strain the *impost* till it produces clamor, and will produce evasion, and war on our citizens to collect it, and even to resort to an *excise* law, of odious character with the people, partial in its operation, unproductive unless enforced by arbitrary and vexatious means, and committing the authority of the government, in parts where resistance is most probable and coercion least practicable.

ANSWER.—This is mere painting and exaggeration. With the exception of a very few articles, the duties on imports are still moderate—lower than in any other country of whose regulations we have knowledge, except, perhaps, Holland, where, having few productions or commodities of their own, their export trade depends on the exportation of foreign articles.

It is true that merchants have complained; but so they did of the first impost law, for a time; and so men always will do at an augmentation of taxes which touch the business they carry on, especially in a country where no, or scarcely any, *such* taxes before existed. The collection, it is not doubted, will be essentially secure. Evasions have existed, in a degree, and will continue to exist. Perhaps they

may be somewhat increased, to what extent can only be determined by experience; but there are no symptoms to induce an opinion that they will materially *increase*. As to the idea of a war upon the citizens to collect the impost duties, it can only be regarded as a figure of rhetoric.

The excise law, no doubt, is a good topic of declamation; but can it be doubted that it is an excellent and a very fit means of revenue?

As to the partiality of its operation, it is no more so than any other tax on a consumable commodity, adjusting itself upon exactly the same principles. The consumer, in the main, pays the tax; and if some parts of the United States consume more domestic spirits, others consume more foreign, and both are taxed. There is, perhaps, upon the whole, no article of more *general* and *equal* consumption than distilled spirits.

As to its *unproductiveness*, unless enforced by *arbitrary* and *vexatious* means, facts testify the contrary. Already, under all the obstacles arising from its novelty and the prejudices against it in some States, it has been considerably productive; and it is not enforced by any arbitrary or vexatious means; at least, the precautions in the existing laws for the collection of the tax will not appear in that light but to men who regard all taxes, and all the means of enforcing them, as arbitrary and vexatious.

Here, however, there is abundant room for fancy to operate. The standard is in the mind, and different minds will have different standards.

The observation relating to the commitment of the

authority of the government, in parts where resistance is most probable and coercion least practicable, has more weight than any other part of this objection. It must be confessed that a hazard of this nature has been run; but if there were motives sufficiently cogent for it, it was wisely run. It does not follow that a measure is bad because it is attended with a degree of danger.

The general inducements to a provision for the public debt are:

1. To preserve the public faith and integrity, by fulfilling, as far as was practicable, the public engagements.

2. To manifest a due respect for property, by satisfying the public obligations in the hands of the public *creditors*, and which were as much their property as their houses or their lands, their hats or their coats.

3. To revive and establish public credit, the palladium of public safety.

4. To preserve the government itself, by showing it worthy of the confidence which was placed in it; to procure to the community the blessings which in innumerable ways attend confidence in the government, and to avoid the evils which in as many ways attend the want of confidence in it.

The particular inducements to an assumption of the State debts were:

1. To consolidate the finances of the country, and give an assurance of permanent order in them; avoiding the collision of thirteen different and independent systems of finance under concurrent and

coequal authorities, and the scramblings for revenue which would have been incident to so many different systems.

2. To secure to the government of the Union, by avoiding those entanglements, an effectual command of the resources of the Union for present and future exigencies.

3. To *equalize the condition* of the citizens of the several States in the important article of taxation; rescuing a part of them from being oppressed with burdens beyond their strength, on account of extraordinary exertions in the war, and through the want of certain adventitious resources which it was the good fortune of others to possess.

A mind naturally attached to order and system, and capable of appreciating their immense value, unless misled by particular feelings, is struck at once with the prodigious advantages which, in the course of time, must attend such a simplification of the financial affairs of the country as results from placing all the parts of the public debt upon one footing, under one direction, regulated by one provision. The want of this sound policy has been a continual source of disorder and embarrassment in the affairs of the United Netherlands.

The true justice of the case of the public debt consists in that equalization of the condition of the citizens of all the States which must arise from a consolidation of the debt and common contributions towards its extinguishment. Little inequalities as to the past can bear no comparison with the more lasting inequalities which, without the assumption,

would have characterized the future condition of the people of the United States, leaving upon those who had done most, or suffered most, a great additional weight of burden.

If the foregoing inducements to a provision for the public debt (including an assumption of the State debts) were sufficiently cogent, then the justification of the excise laws lies within a narrow compass. Some further source of revenue, besides the duties on imports, was indispensable, and none equally productive would have been so little exceptionable to the mass of the people.

Other reasons co-operated in the minds of some able men to render an excise at an early period desirable. They thought it well to lay hold of so valuable a resource of revenue before it was generally preoccupied by the State governments. They supposed it not amiss that the authority of the national government should be visible in some branch of internal revenue, lest a total non-exercise of it should beget an impression that it was never to be exercised, and next, that it ought not to be exercised. It was supposed, too, that a thing of the kind could not be introduced with a greater prospect of easy success than at a period when the government enjoyed the advantage of first impressions, when State factions to resist its authority were not yet matured, when so much aid was to be derived from the popularity and firmness of the actual Chief Magistrate.

Facts hitherto do not indicate the measure to have been rash or ill advised. The law is in operation with

perfect acquiescence in all the States north of New York, though they contribute most largely. In New York and New Jersey it is in full operation, with some very partial complainings fast wearing away. In the greater part of Pennsylvania it is in operation, and with increasing good humor towards it. The four western counties continue exceptions. In Delaware it has had some struggle, which, by the last accounts, was surmounted. In Maryland and Virginia it is in operation, and without material conflict. In South Carolina it is now in pretty full operation, though in the interior parts it has had some serious opposition to overcome. In Georgia no material difficulty has been experienced. North Carolina, Kentucky, and the four western counties of Pennsylvania, present the only remaining impediments of any consequence to the full execution of the law. The latest advices from North Carolina and Kentucky were more favorable than the former.

It may be added as a well-established fact, that the effect of the law has been to encourage new enterprises in most of the States in the business of domestic distillation. A proof that it is perceived to operate favorably to the manufacture, and that the measure cannot long remain unpopular anywhere.

OBJECTION 4.—Propositions have been made in Congress, and projects are on foot still to increase the mass of the debt.

ANSWER.—Propositions have been made, and no doubt will be renewed by the States interested, to complete the assumption of the State debts. This would add in the first instance to the mass of the

debt of the United States between three and four millions of dollars, but it would not increase the mass of the *public debt* at all. It would only transfer from particular States to the Union debts which already exist, and which, if the States indebted are honest, must be provided for. It happens that Massachusetts and South Carolina would be chiefly benefited. And there is a moral certainty that Massachusetts will have a balance in her favor more than equal to her remaining debt, and a probability that South Carolina will have a balance sufficient to cover hers. So that there is not likely to be an eventual increase even of the debt of the *United States* by the further assumption. The immense exertions of Massachusetts during the late war, and particularly in the late periods of it when too many of the States failed in their federal duty, are known to every well-informed man. It would not be too strong to say, that they were in a great degree the pivot of the Revolution. The exertions, sufferings, sacrifices, and losses of South Carolina need not be insisted upon.

The other States have comparatively none or inconsiderable debts. Can that policy be condemned which aims at putting the burdened States upon an equal footing with the rest? Can that policy be very liberal which resists so equitable an arrangement? It has been said that if they had exerted themselves since the peace, their situation would have been different. But Massachusetts threw her citizens into rebellion by heavier taxes than were paid in any other State, and South Carolina has done as much since the peace as could have been ex-

pected, considering the exhausted state in which the war left her.

The only proposition during the last session, or at any antecedent one, which would truly have swelled the debt artificially, was one which Mr. Madison made in the first session, and which was renewed in the last, and generally voted for by those who opposed the system that has prevailed. The object of this proposition was, that all the parts of the State debts which have been *paid*, or otherwise absorbed by them, should be assumed for the benefit of the States and funded by the United States. This measure, if it had succeeded, would truly have produced an immense artificial increase of the debt, but it has twice failed, and there is no probability that it will ever succeed.

OBJECTION 5.—They say that by borrowing at two thirds of the interest we might have paid off the principal in two thirds of the time, but that from this we are precluded by its being made irredeemable but in small portions and long terms.

ANSWER.—*First.* All the foreign loans which were made by the United States prior to the present government, taking into the calculation charges and premiums, cost them more than six per cent. Since the establishment of the present government, they borrowed first at about five and a quarter, including charges, and since, at about four and a quarter, including charges. And it is questionable, in the present state of Europe, whether they can obtain any further loans at so low a rate.

The system which is reprobated is the very cause

that we have been able to borrow on so good terms. If one that would have inspired less confidence, certainly if the substitutes which have been proposed, from a certain quarter, had obtained, we could not have procured loans even at six per cent. The Dutch were largely adventurers in our domestic debt before the present government. They did not embark far till they had made inquiries of influential public characters, as to the light in which the debt was and would be considered in the hands of alienees —and had received assurance that assignees would be regarded in the same light as original holders. What would have been the state of our credit with them, if they had been disappointed, or indeed if our conduct had been in any respect inconsistent with the notions entertained in Europe concerning the maxims of public credit?

The inference is, that our being able to borrow on low terms is a consequence of the system which is the object of censure, and that the thing itself, which is made the basis of another system, would not have existed under it.

Secondly. It will not be pretended that we could have borrowed at the proposed low rate of interest in the United States; and all our exertions to borrow in Europe, which have been unremitted, as occasions presented, have not hitherto produced above —— dollars, not even a sufficient sum to change the form of our foreign debt.

Thirdly. If it were possible to borrow the whole sum abroad within a short period, to pay off our debt, it is not easy to imagine a more pernicious

operation than this would have been. It would first have transferred to foreigners, by a violent expedient, the whole amount of our debt; and creating a money plethora in the country, a momentary scene of extravagance would have followed, and the excess would quickly have flowed back;—the evils of which situation need not be enlarged upon.

If it be said that the operation might have been gradual, then the end proposed would not have been attained.

Lastly. The plan which has been adopted secures, in the first instance, the *identical advantage* which in the other plan would have been *eventual* and *contingent.* It puts one third of the whole debt at an interest of three per cent. only, and by deferring the payment of interest on a third of the remainder, effectually reduces the interest on that part. It is evident that a *suspension* of interest is in fact a *reduction* of interest. The money which would go towards paying interest in the interval of suspension is an accumulating fund, to be applied towards payment of it when it becomes due, reducing the provision then to be made.

In reality, on the principles of the funding system, the United States reduced the interest on their whole debt, upon an average, to about four and a half per cent., nearly the lowest rate they have any chance to borrow at, and lower than they could possibly have borrowed at in an attempt to reduce the interest on the whole capital by borrowing and paying, probably by one per cent. A demand for large loans, by forcing the market, would unavoidably

have raised their price upon the borrower. The above average of four and a half per cent. is found by calculation, computing the then present value of the deferred stock at the time of passing the funding acts, and of course three per cent. on the three per cent. stock.

The funding system, then, secured in the very outset the *precise advantage* which it is alleged would have accrued from having the whole debt redeemable at pleasure. But this is not all. It did more. It left the government still in a condition to enjoy upon five ninths of the entire debt the advantage of extinguishing it, by loans at a low rate of interest, if they are obtainable. The three per cents, which are one third of the whole, may always be purchased in the market below par, till the market rate of interest falls to three per cent. The deferred will be purchasable below par, till near the period of the actual payment of interest. And this further advantage will result: in all those purchases the public will enjoy, not only the advantage of a reduction of interest on the sums borrowed, but the additional advantage of purchasing the debt under par, that is, for less than twenty shillings in the pound.

If it be said that the like advantage might have been enjoyed under another system, the assertion would be without foundation. Unless some equivalent had been given for the reduction of interest in the irredeemable quality annexed to the debt, nothing was left, consistently with the principles of public credit, but to provide for the whole debt at

six per cent. This evidently would have kept the whole at par, and no advantage could have been derived by purchases under the nominal value. The reduction of interest, by borrowing at a lower rate, is all that would have been practicable, and this advantage has been secured by the funding system in the very outset, and without any second process.

If no provision for the interest had been made, not only public credit would have been sacrificed, but by means of it the borrowing at a low rate of interest, or at any rate, would have been impracticable.

There is no reproach which has been thrown upon the funding system so unmerited as that which charges it with being a bad bargain for the public, or with a tendency to prolong the extinguishment of the debts. The bargain has, if any thing, been too good on the side of the public; and it is impossible for the debt to be in a more convenient form than it is for a rapid extinguishment.

Some gentlemen seem to forget that the faculties of every country are limited. They talk as if the government could extend its revenue *ad libitum* to pay off the debt. Whereas every rational calculation of the abilities of the country will prove, that the power of redemption which has been reserved over the debt is quite equal to those abilities, and that a greater power would be useless. If happily the abilities of the country should exceed this estimate, there is nothing to hinder the surplus being employed in purchases. As long as the three per cents and deferred exist, those purchases will be

under par. If for the stock bearing an immediate interest of six per cent., more than par is given, the government can afford it from the saving made in the first instance.

Upon the whole, then, it is the merit of the funding system to have conciliated these three important points—the restoration of public credit, a reduction of the rate of interest, and an organization of the debt convenient for speedy extinguishment.

OBJECTION 6.—That this irredeemable quality was given to the debt for the *avowed purpose* of inviting its transfer to foreign countries.

ANSWER.—This assertion is a palpable misrepresentation. The *avowed purpose* of that quality of the debt, as explained in the report of the Secretary of the Treasury, and in the arguments in Congress, was to give an *equivalent* for the reduction of interest—that is, for deferring the payment of interest on one third of the principal for three years, and for allowing only three per cent. on the arrears of interest.

It was indeed argued, in confirmation of the reality of the equivalent, that foreigners would be willing to give more where a high rate of interest was *fixed*, than where it was liable to fluctuate with the market. And this has been verified by the fact—for the six per cents could not have risen for a moment above par, if the rate could have been lowered by redeeming the debt at pleasure. But the inviting of the transfer to foreigners was never assigned as a motive to the arrangement.

And what is more, that transfer will be probably

slower with the portion of irredeemability which is attached to the debt than without it, because a larger capital would be requisite to purchase one hundred dollars in the former than in the latter case. And the capital of foreigners is limited as well as our own.

It appears to be taken for granted, that if the debt had not been funded in its present shape, foreigners would not have purchased it as they now do; than which nothing can be more ill-founded or more contrary to experience. Under the old Confederation, when there was no provision at all, foreigners had purchased five or six millions of the debt. If any provision had been made, capable of producing confidence, their purchases would have gone on just as they now do; and the only material difference would have been that what they got from us then would have cost them less than what they now get from us does cost them. Whether it is to the disadvantage of the country that they pay more, is submitted.

Even a provision which should not have inspired full confidence would not have prevented foreign purchases. The commodity would have been cheap in proportion to the risks to be run. And full-handed Dutchmen would not have scrupled to amass large sums for trifling considerations, in the hope that time and experience would introduce juster notions into the public councils.

Our debt would still have gone from us, and with it our reputation and credit.

OBJECTION 7.—They predict that this transfer of the principal, when completed, will occasion an

exportation of three millions of dollars annually for the interest; a drain of coin, of which, as there has been no example, no calculation can be made of its consequences.

ANSWER.—The same gloomy forebodings were heard in England in the early periods of its funding system. But they have never been realized. The money invested by foreigners in the purchase of its debt, being employed in its commerce, agriculture, and manufactures, increased the capital and wealth of the nation more than in proportion to the annual drain for the payment of interest, and created the ability to bear it.

The objection seems to forget that the debt is not transferred for nothing; that the capital paid for the debt is always an equivalent for the interest to be paid to the purchaser. If that capital is well employed in a young country like this, it must be considerably increased, so as to yield a greater revenue than the interest of the money. The country therefore will be a gainer by it, and will be able to pay the interest without inconvenience.

But the objectors suppose that all the money which comes in goes out again, in an increased consumption of foreign luxuries. This, however, is taking for granted what never happened in any industrious country, and what appearances among us do not warrant. The expense of living, generally speaking, is not sensibly increased. Large investments are every day making in ship-building, house-building, manufactures, and other improvements, public and private.

The transfer, too, of the whole debt, is a very improbable supposition; a large part of it will continue to be owned by our own citizens. And the interest of that part which is owned by foreigners will not be annually exported, as is supposed. A considerable part will be invested in new speculations—in lands, canals, roads, manufactures, commerce. Facts warrant this supposition. The agents of the Dutch have actually made large investments in a variety of such speculations.

A young country like this is peculiarly attractive. New objects will be continually opening, and the money of foreigners will be made instrumental to their advancement.

OBJECTION 8.—That the banishment of our coin will be completed by the creation of ten millions of paper money, in the form of bank bills, now issuing into circulation.

ANSWER.—This is a mere hypothesis, in which theorists differ. There are no decisive facts on which to rest the question.

The supposed tendency of bank paper to banish specie is from its capacity of serving as a substitute for it in circulation. But as the quantity circulated is proportioned to the demand for it in circulation, the presumption is that a greater quantity of industry is put in motion by it, so as to call for a proportionally greater quantity of *circulating medium* and prevent the banishment of the specie. But however this may be, it is agreed among sound theorists, that banks more than compensate for the loss of the specie in other ways. SMITH, who was witness to

their effects in Scotland, where too a very adverse fortune attended some of them, bears his testimony to their beneficial effects in these strong terms (*Wealth of Nations*, Vol. I., Book II., Chap. 11, pages 441 to 444).

OBJECTION 9.—They think the ten or twelve per cent. annual profit paid to the lenders of this paper medium are taken out of the pockets of the people, who would have had without interest the coin it is banishing.

ANSWER.—1. The profits of the bank have not hitherto exceeded the rate of eight per cent. per annum, and perhaps never may. It is questionable whether they can legally make more than ten per cent.

2. These profits can in no just sense be said to be taken out of the pockets of the people. They are compounded of two things: 1st, the interest paid by the government on that part of the public debt which is incorporated in the stock of the bank; 2d, the interest paid by *those individuals who borrow* money of the bank on the *sums they borrow*.

As to the first, it is no *new* grant to the bank. It is the old interest on a part of the old debt of this country, substituted by the proprietors of that debt towards constituting the stock of the bank. It would have been equally payable if the bank had never existed. It is, therefore, nothing new taken out of the pockets of the people.

As to the second, it may with equal propriety be said, when one individual borrows money of another, that the interest which the borrower pays to the

lender is taken out of the *pockets of the people*. The case here is not only parallel, but the same. It is the case of one or more individuals borrowing money of a company of individuals associated to lend. None but the actual borrowers pay in either case; the rest of the community have nothing to do with it.

If a man receives a bank bill for the ox or the bushel of wheat which he sells, he pays no more interest upon it than upon the same sum in gold or silver—that is, he pays none at all.

So that, whether the paper banishes specie or not, it is the same thing to every individual through whose hands it circulates, as to the point of interest. Specie no more than bank paper can be borrowed without paying interest for it; and when either is not borrowed no interest is paid. As far as the government is a sharer in the profits of the bank, which is in the proportion of one fifth, the contrary of what is supposed happens: *money is put into the pockets of the people.*

All this is so plain and so palpable, that the assertion which is made betrays extreme ignorance or extreme disingenuousness. It is destitute even of color.

OBJECTION 10.—That all the capital employed in paper speculations is barren and useless, producing, like that on a gaming-table, no accession to itself, and is withdrawn from commerce and agriculture, where it would have produced addition to the common mass.

ANSWER.—This is a copious subject, which has

been fully discussed in the report of the Secretary of the Treasury, on the subject of manufactures.[1] It is true that the capital—that is, the specie which is employed in paper speculation,—while so employed, is barren and useless, but the paper itself constitutes a new capital, which, being salable and transferable at any moment, enables the proprietor to undertake any piece of business as well as an equal sum in coin; and as the amount of the debt circulated is much greater than the amount of specie which circulates it, the new capital put in motion by it considerably exceeds the old one, which is *suspended*, and there is more capital to carry on the productive labor of the society. Every thing that has value is capital—an acre of ground, a horse, or a cow, or a public or private obligation, which may, with different degrees of convenience, be applied to industrious enterprise. That which, like public stock, can at any instant be turned into money, is of equal utility with money as capital. Let it be examined, whether at those places where there is most debt afloat, and most money employed in its circulation, there is not at the same time a greater plenty of money for every other purpose. It will be found that there is.

But it is a fact quite immaterial to the government, as far as regards the propriety of its measures.

The debt existed; it was to be provided for. In whatever shape the provision was made, the object of speculation and the speculation would have existed. Nothing but abolishing the debt could have

[1] See Vol. IV.

obviated it. It is, therefore, the fault of the Revolution, not of the government, that paper speculation exists. An unsound or precarious provision would have increased this species of speculation in its most odious forms; the defects and casualties of the system would have been as much subjects of speculation as the debt itself.

The difference is, that under a bad system the public stock would have been too uncertain an article to be a substitute for money, and all the money employed in it would have been diverted from useful employment, without any thing to compensate for it. Under a good system, the stock becomes more than a substitute for the money employed in negotiating it.

OBJECTION 11.—*Paper Speculation.* That it nourishes in our citizens vice and idleness, instead of industry and morality.

ANSWER.—This proposition, within certain limits, is true. Jobbing in the funds has some bad effects among those engaged in it. It fosters a spirit of gambling, and diverts a certain number of individuals from other pursuits. But if the proposition be true, that stock operates as capital, the effect upon the citizens at large is different. It promotes among them industry, by furnishing a larger field of employment. Though this effect of a funded debt has been called in question in England by some theorists, yet most theorists and all practical men allow its existence. And there is no doubt, as already intimated, that if we look into those scenes among ourselves where the largest portions of the debt are

accumulated, we shall perceive that a new spring has been given to industry in various branches.

But, be all this as it may, the observation made under the last head applies here. The debt was the creature of the Revolution. It was to be provided for. Being so, in whatever form, it must have become an object of speculation and jobbing.

OBJECTION 12.—The funding of the debt has furnished effectual means of corrupting such a portion of the Legislature as turns the balance between the honest voters whichever way it is directed.

ANSWER.—This is one of those assertions which can only be denied, and pronounced to be malignant and false. No facts exist to support it, and being a mere matter of fact, no argument can be brought to repel it.

The assertors beg the question. They assume to themselves, and to those who think with them, infallibility. Take their words for it, they are the only honest men in the community. But compare the tenor of men's lives, and at least as large a portion of virtuous and independent characters will be found among those whom they malign as among themselves.

A member of the majority of the Legislature would say to these defamers: "In your vocabulary, gentlemen, *Creditor* and *Enemy* appear to be synonymous terms; the *support of public credit*, and *corruption*, of similar import; an enlarged and liberal construction of the Constitution, for the public good and for the maintenance of the due energy of the national authority, of the same meaning with usurpation and

a conspiracy to overturn the republican government of the country; every man of a different opinion from your own, an ambitious despot or a corrupt knave. You bring every thing to the standard of your narrow and depraved ideas, and you condemn without mercy or even decency whatever does not accord with it. Every man who is either *too short* or *too long* for your political couch must be stretched or lopped to suit it. But your pretensions must be rejected, your insinuations despised. Your politics originate in immorality, in a disregard of the maxims of good faith and the rights of property, and if they could prevail must end in national disgrace and confusion. Your rules of construction for the authorities, vested in the government of the Union, would arrest all its essential movements, and bring it back in practice to the same state of imbecility which rendered the old Confederation contemptible. Your principles of liberty are principles of licentiousness incompatible with all government. You sacrifice every thing that is venerable and substantial in society to the vain reveries of a false and new-fangled philosophy. As to the motives by which I have been influenced, I leave my general conduct in private and public life to speak for them. Go and learn among my fellow-citizens whether I have not uniformly maintained the character of an honest man. As to the love of liberty and country, you have given no stronger proofs of being actuated by it than I have done;—cease, then, to arrogate to yourself and to your party all the patriotism and virtue of the country. Renounce, if you can, the

intolerant spirit by which you are governed, and begin to reform yourself, instead of reprobating others, by beginning to doubt of your own infallibility."

Such is the answer which would naturally be given by a member of the majority of the Legislature to such an objection. And it is the only one that could be given, until some evidence of the supposed corruption should be produced.

As far as I know there is not a member of the Legislature who can properly be called a stock-jobber or a paper-dealer. There are several of them who were proprietors of public debt in various ways; some for money lent and property furnished for the use of the public during the war; others for sums received in payment of debts, and it is supposable enough that some of them had been purchasers of the public debt, with intention to hold it as a valuable and convenient property, considering an honorable provision for it as a matter of course.

It is a strange perversion of ideas, and as novel as it is extraordinary, that men should be deemed corrupt and criminal for becoming proprietors in the funds of their country. Yet I believe the number of members of Congress is very small who have ever been considerable proprietors in the funds. As to improper speculations on measures depending before Congress, I believe never was any body of men freer from them.

There are, indeed, several members of Congress who have become proprietors in the Bank of the United States, and a few of them to a pretty large

amount, say fifty or sixty shares. But all operations of this kind were necessarily subsequent to the determination upon the measure; the subscriptions were of course subsequent, and purchases still more so. Can there be any thing really blamable in this? Can it be culpable to invest property in an institution which has been established for the most important national purposes? Can that property be supposed to corrupt the holder? It would indeed tend to render him friendly to the preservation of the bank; but in this, there would be no collision between duty and interest, and it would give him no improper bias on other questions.

To uphold public credit, and to be friendly to the bank, must be presupposed to be *corrupt* things, before the being a proprietor in the funds, or of bank stock, can be supposed to have a *corrupting influence*. The being a proprietor, in either case, is a very different thing from being, in a proper sense of the term, a stock-jobber.

On this point of the corruption of the Legislature, one more observation of great weight remains. Those who oppose a funded debt, and mean any provision for it, contemplate an annual one.

Now it is impossible to conceive a more fruitful source of legislative corruption than this. All the members of it who should incline to speculate would have an annual opportunity of speculating upon their influence in the Legislature to promote, or retard, or put off a provision. Every session the question whether the annual provision should be continued, would be an occasion of pernicious caballing

and corrupt bargaining. In this very view, when the subject was in deliberation, it was impossible not to wish it decided upon once for all, and out of the way.

OBJECTION 13.—The corrupt squadron deciding the voice of the Legislature have manifested their disposition to get rid of the limitations imposed by the Constitution on the general Legislature; limitations, on the faith of which the States acceded to that instrument.

ANSWER.—Here again the objectors beg the question. They take it for granted that their constructions of the Constitution are right, and that the opposite ones are wrong; and with great good nature and candor ascribe the effect of a difference of opinion to a disposition to get rid of the limitations on the government.

Those who have advocated the constructions which have obtained, have met their opponents on the ground of fair argument, and they think have refuted them. How shall it be determined which side is right?

There are some things which the general government has clearly a right to do. There are others which it has clearly no right to meddle with; and there is a good deal of middle ground, about which honest and well-disposed men may differ. The most that can be said is, that some of this middle ground may have been occupied by the national Legislature, and this surely is no evidence of a disposition to get rid of the limitations in the Constitution, nor can it be viewed in that light by men of candor.

The truth is, one description of men is disposed to do the essential business of the nation, by a liberal construction of the powers of the government; another, from disaffection, would fritter away those powers; a third, from an overweening jealousy, would do the same thing; a fourth, from party and personal opposition, are torturing the Constitution into objections to every thing they do not like.

The bank is one of the measures which is deemed by some the greatest stretch of power, and yet its constitutionality has been established in the most satisfactory manner.

And the most incorrigible theorist among its opponents would, in one month's experience, as head of the department of the Treasury, be compelled to acknowledge that it is an absolutely indispensable engine in the management of the finances, and would quickly become a convert to its perfect constitutionality.

OBJECTION 14.—The ultimate object of all this is to prepare the way for a change from the present republican form of government to that of a monarchy, of which the British constitution is to be the model.

ANSWER.—To this there is no other answer than a flat denial, except this: that the project, from its absurdity, refutes itself.

The idea of introducing a monarchy or aristocracy into this country, by employing the influence and force of a government continually changing hands, toward it, is one of those visionary things that none but madmen could meditate, and that no wise man will believe.

If it could be done at all, which is utterly incredible, it would require a long series of time, certainly beyond the life of any individual, to effect it. Who, then, would enter into such a plot? for what purpose of interest or ambition?

To hope that the people may be cajoled into giving their sanctions to such institutions is still more chimerical. A people so enlightened and so diversified as the people of this country can surely never be brought to it, but from convulsions and disorders, in consequence of the arts of popular demagogues.

The truth unquestionably is, that the only path to a subversion of the republican system of the country is by flattering the prejudices of the people, and exciting their jealousies and apprehensions, to throw affairs into confusion, and bring on civil commotion. Tired at length of anarchy or want of government, they may take shelter in the arms of monarchy for repose and security.

Those, then, who resist a confirmation of public order are the true artificers of monarchy. Not that this is the intention of the generality of them. Yet it would not be difficult to lay the finger upon some of their party who may justly be suspected. When a man, unprincipled in private life, desperate in his fortune, bold in his temper, possessed of considerable talents, having the advantage of military habits, despotic in his ordinary demeanor, known to have scoffed in private at the principles of liberty; when such a man is seen to mount the hobby-horse of popularity, to join in the cry of danger to liberty, to take every opportunity of embarrassing the general gov-

ernment and bringing it under suspicion, to flatter and fall in with all the nonsense of the zealots of the day, it may justly be suspected that his object is to throw things into confusion, that he may "ride the storm and direct the whirlwind."

It has aptly been observed, that *Cato* was the *Tory*, *Cæsar* the *Whig* of his day. The former frequently resisted, the latter always flattered, the follies of the people. Yet the former perished with the republic —the latter destroyed it.

No popular government was ever without its Catilines and its Cæsars—these are its true enemies.

As far as I am informed, the anxiety of those who are calumniated is to keep the government in the state in which it is, which they fear will be no easy task, from a natural tendency in the state of things to exalt the local on the ruins of the national government. Some of them appear to wish, in a constitutional way, a change in the judiciary department of the government, from an apprehension that an orderly and effectual administration of justice cannot be obtained without a more intimate connection between the State and National tribunals. But even this is not an object of any set of men as a party. There is a difference of opinion about it, on various grounds, among those who have generally acted together. As to any other change of consequence, I believe nobody dreams of it.

It is curious to observe the anticipations of the different parties. One side appears to believe that there is a serious plot to overturn the State governments, and substitute a monarchy to the present

republican system. The other side firmly believes that there is a serious plot to overturn the general government, and elevate the separate power of the States upon its ruins. Both sides may be equally wrong, and their mutual jealousies may be naturally causes of the appearances which mutually disturb them and sharpen them against each other.

OBJECTION 15.—This charge, that this change (*i. e.*, from a republic to a monarchy) was contemplated in the convention, they say is no secret, because its partisans have made none of it—to effect it then was impracticable; but they are still eager after their object, and are predisposing every thing for its ultimate attainment.

ANSWER.—This is a palpable misrepresentation. No man that I know of contemplated the introducing into this country a monarchy. A very small number (not more than three or four) manifested theoretical opinions favorable in the abstract to a constitution like that of Great Britain; but every one agreed that such a constitution, except as to the general distribution of departments and powers, was out of the question in reference to this country. The member who was most explicit on this point (a member from New York) declared in strong terms that the republican theory ought to be adhered to in this country as long as there was any chance of its success; that the idea of a perfect equality of political rights among the citizens, exclusive of all permanent or hereditary distinctions, was of a nature to engage the good wishes of every good man,

whatever might be his theoretic doubts; that it merited his best efforts to give success to it in practice; that hitherto, from an incompetent structure of the government, it had not had a fair trial, and that the endeavor ought then to be to secure to it a better chance of success by a government more capable of energy and order.

There is not a man at present in either branch of the Legislature who, that I recollect, had held language in the convention favorable to monarchy.

The basis, therefore, of this suggestion fails.

OBJECTION 16.—So many of them have got into the Legislature, that, aided by the corrupt squadron of paper dealers, who are at their devotion, they make a majority in both Houses.[1]

ANSWER.—This has been answered above. Neither description of character is to be found in the Legislature. In the Senate there are nine or ten who were members of the convention; in the House of Representatives, not more than six or seven.[2] Of those who are in the last-mentioned House, none can be considered as influential but Mr. Madison and Mr. Gerry. Are they monarchy men?

As to the 17th, 18th, and 19th heads:

OBJECTION 17.—The republican party who wish to preserve the government in its present form are fewer, even when joined by the two, three, or half a dozen anti-federalists, who, though they dare not avow it, are still opposed to any general government; but, being less so to a republican than a

[1] This objection is peculiarly Jeffersonian.—[ED.

[2] This computation is from memory.

monarchical one, they naturally join those whom they think pursuing the lesser evil.

OBJECTION 18.—Of all the mischiefs objected to the system of measures before mentioned, none, they add, is so afflicting, and fatal to every honest hope, as the corruption of the Legislature; as it was the earliest of these measures, it became the instrument for producing the rest, and will be the instrument for producing in future a king, lords, and commons, or whatever else those who direct it may choose. Withdrawn such a distance from the eye of their constituents, and these so dispersed as to be inaccessible to public information, and particularly to that of the conduct of their own representatives, they will form the worst government upon earth, if the means of their corruption be not prevented.

OBJECTION 19.—The only hope of safety, they say, hangs now on the numerous representation which is to come forward the ensuing year; but should the majority of the new members be still in the same principles with the present—show so much derelict-tion to republican government, and such a disposition to encroach upon or explain away the limited powers of the Constitution, in order to change it,—it is not easy to conjecture what would be the result, nor what means would be resorted to for correction of the evil. True wisdom, they acknowledge, should direct temperate and peaceable measures, but add, the division of sentiment and interest happens, unfortunately, to be so geographical, that no mortal can say that what is most wise and temperate would prevail against what is more easy and obvi-

ous. They declare they can contemplate no evil more incalculable than the breaking of the Union into two or more parts; yet when they view the mass which opposed the original coalescence—when they consider that it lay chiefly in the Southern quarter—that the Legislature have availed themselves of no occasion of allaying it, but, on the contrary, whenever Northern and Southern prejudices have come into conflict, the latter have been sacrificed and the former soothed.[1]

They are rather inferences from and comments upon what is before suggested, than specific objections. The answer to them must therefore be derived from what is said under other heads.

It is certainly much to be regretted that party discriminations are so far geographical as they have been, and that ideas of a severance of the Union are creeping in both North and South. In the South, it is supposed that more government than is expedient is desired by the North. In the North, it is believed that the prejudices of the South are incompatible with the necessary degree of government, and with the attainment of the essential ends of national union. In both quarters there are respectable men, who talk of separation as a thing dictated by the different geniuses and different prejudices of the parts. But happily their number is not considerable, and the prevailing sentiment of the people is in favor of their true interest, UNION. And it is to be hoped that the efforts of wise men will be able to

[1] These three objections are inserted here as they stand in Washington's letter of July 29th.

prevent a schism which would be injurious in different degrees to different portions of the Union, but would seriously wound the prosperity of all.

As to the sacrifice of Southern to Northern prejudices—if the conflict has been between *prejudices* and *prejudices*, it is certainly to be wished, for mutual gratification, that there had been mutual concession; but if the conflict has been between *great* and substantial national objects on the one hand, and theoretical prejudices on the other, it is difficult to desire that the former should in any instance have yielded.

OBJECTION 20.—The owners of the debt are in the Southern, and the holders of it in the Northern, division.

ANSWER.—If this were literally true, it would be no argument for or against any thing. It would be still politically and morally right for the debtors to pay their creditors.

But it is in *no sense true*. The *owners* of the debt are the people of *every* State, South, Middle, and North. The holders are the individual creditors—citizens of the United Netherlands, Great Britain, France, and of these States, North, Middle, South. Though some men, who constantly substitute hypothesis to fact, imagination to evidence, assert and reassert that the inhabitants of the South contribute *more* than those of the North, yet there is no pretence that they contribute *all;* and even the assertion of greater contribution is unsupported by documents, facts, or, it may be added, probabilities. Though the inhabitants of the South manufacture

less than those of the North, which is the great argument, yet it does not follow that they consume more of taxable articles. It is a solid answer to this, that *whites* live better, wear more and better clothes, and consume more luxuries, than blacks, who constitute so considerable a part of the population of the South; that the inhabitants of cities and towns, which abound so much more in the North than in the South, consume more of foreign articles than the inhabitants of the country; that it is a general rule, that communities consume and contribute in proportion to their active or circulating wealth, and that the Northern regions have more active or circulating wealth than the Southern.

If official documents are consulted, though, for obvious reasons, they are not decisive, they contradict rather than confirm the hypothesis of greater proportional contribution in the Southern division.

But, to make the allegation in the objection true, it is necessary not merely that the inhabitants of the South should contribute more, but that they should contribute *all*.

It must be confessed that a much larger proportion of the debt is owned by inhabitants of the States from Pennsylvania to New Hampshire, inclusively, than in the States south of Pennsylvania.

But as to the primitive debt of the United States, that was the case in its original concoction. This arose from two causes: first, from the war having more constantly been carried on in the Northern quarter, which led to obtaining more men and greater supplies in that quarter, and credit having

been for a considerable time the main instrument of the government, a consequent accumulation of debt in that quarter took place; secondly, from the greater ability of the Northern and Middle States to furnish men, money, and other supplies, and from the greater quantities of men, money, and other supplies which they did furnish. The loan-office debt, the army debt, the debt of the five great departments, was contracted in a much larger proportion in the Northern and Middle, than in the Southern, States.

It must be confessed, too, that by the attraction of a superior moneyed capital the disparity has increased, but it was great in the beginning.

As to the assumed debt, the proportion in the South was at the first somewhat larger than in the North, and it must be acknowledged that this has since, from the same superiority of moneyed capital in the North, ceased to be the case.

But if the Northern people who were originally greater creditors than the Southern, have become still more so as purchasers, is it any reason that an honorable provision should not be made for their debt? Or is the government to blame for having made it? Did the Northern people take their property by violence from the Southern, or did they purchase and pay for it?

It may be answered that they obtained considerable part of it by speculation, taking advantage of superior opportunities of information.

But admitting this to be true in all the latitude in which it is commonly stated, is a government to

bend the general maxims of policy and to mould its measures according to the accidental course of private speculations? Is it to do this, or omit that, in cases of great national importance, because one set of individuals may gain, another lose, from unequal opportunities of information, from unequal degrees of resource, craft, confidence, or enterprise?

Moreover, there is much exaggeration in stating the manner of the alienation of the debt. The principal speculations in State debts, whatever may be pretended, certainly began after the promulgation of the plan for assuming by the report of the Secretary of the Treasury to the House of Representatives. The resources of individuals in this country are too limited to have admitted of much progress in purchases before the knowledge of that plan was diffused throughout the country. After that, purchasers and sellers were upon equal ground. If the purchasers speculated upon the sellers, in many instances the sellers speculated upon the purchasers. Each made his calculation of chances, and founded upon it an exchange of money for certificates. It has turned out generally that the buyer had the best of the bargain, but the seller got the value of his commodity according to his estimate of it, and probably in a great number of instances more. This shall be explained.

It happened that Mr. Madison and some other distinguished characters of the South started in opposition to the assumption. The high opinion entertained of them made it be taken for granted in that quarter that the opposition would be successful.

The securities quickly rose, by means of purchases, beyond their former prices. It was imagined that they would soon return to their old station by a rejection of the proposition for assuming. And the certificate-holders were eager to part with them at their current prices, calculating on a loss to the purchasers from their future fall. This representation is not conjectural; it is founded on information from respectable and intelligent Southern characters, and may be ascertained by inquiry.

Hence it happened that the inhabitants of the Southern States sustained a considerable loss by the opposition to the assumption from Southern gentlemen, and their too great confidence in the efficacy of that opposition.

Further, a great part of the debt which has been purchased by Northern and Southern citizens has been at higher prices—in numerous instances beyond the true value. In the late delirium of speculation large sums were purchased at twenty-five per cent. above par and upward.

The Southern people, upon the whole, have not parted with their property for nothing. They parted with it voluntarily, in most cases, upon fair terms, without surprise or deception—in many cases for more than its value. 'T is their own fault if the purchase money has not been beneficial to them; and the presumption is, it has been so in a material degree.

Let, then, any candid and upright mind, weighing all the circumstances, pronounce whether there be any real hardship in the inhabitants of the South

being required to contribute their proportion to a provision for the debt as it now exists? whether, if at liberty, they could honestly dispute the doing of it? or whether they can, even in candor and good faith, complain of being obliged to do it?

If they can, it is time to unlearn all the ancient notions of justice and morality, and to adopt a new system of ethics.

OBJECTION 21.—That the antifederal champions are now strengthened in argument by the fulfilment of their predictions, which has been brought about by the monarchical federalists themselves, who, having been for the new government merely as a stepping-stone to monarchy, have themselves adopted the very constructions of the Constitution, of which, when advocating the acceptance before the tribunal of the people, they declared it insusceptible; whilst the republican federalists, who espoused the same government for its intrinsic merits, are disarmed of their weapons,—that which they denied as prophecy being now become true history. Who, therefore, can be sure, they ask, that these things may not proselyte the small number which was wanting to place the majority on the other side? And this, they add, is the event at which they tremble.

ANSWER.—All that can be said in answer to this has been already said. It is much to be wished that the true state of the case may not have been, that the antifederal champions have been encouraged in their activity by the countenance which has been given to their principles by certain federalists who, in an envious and ambitious struggle for power,

influence, and pre-eminence, have embraced as auxiliaries the numerous party originally disaffected to the government, in the hope that these, united with the factious and feeble-minded federalists whom they can detach will give them the predominancy. This would be nothing more than the old story of personal and party emulation.

The antifederal champions alluded to may be taught to abate their exultation by being told that the great body of the federalists, or rather the great body of the people, are of opinion that none of their predictions have been fulfilled, that the beneficial effects of the government have exceeded expectation, and are witnessed by the general prosperity of the nation.

ADDRESS TO THE PUBLIC CREDITORS [1]

BY A FRIEND.

September 1, 1790.

It is probable that many of you are not sufficiently apprised of the advantages of your own situation, and that for want of judging rightly of it, and of your future prospects, you may be tempted to part with your securities much below their true value, and considerably below what it is probable

[1] This address and the vindication which follows, if the dates alone were to be observed, should have come after the official reports of 1790 and 1791. They have, however, a more immediate connection with the preceding letter to Washington as parts of the defence of the funding system, and this address in particular shows how Hamilton at the very outset attempted through the newspapers to check the tide of speculation and to prevail on the original holders of the debt not to part with their securities.

they will sell for in eight or nine months from this time.

To guard you against an unnecessary sacrifice of your interests by a precipitate sale, I will now state to you, in a plain and concise way, what has been done for you in the course of the last session of Congress, and what you may reasonably expect.

EFFECTUAL provision has been made for *actually* paying you six per cent. yearly, on two thirds of the principal of your debt—that is, four per cent. on the whole amount of your principal. And at the end of ten years you are to receive six per cent. yearly, on the remaining third of your principal—that is, two per cent. more on the whole of your principal. And like *effectual* provision has been made for *actually* paying you three per cent. yearly, on whatever arrears of interest may be due to you on your principal. For this interest you are not even to wait to the end of a year, but you are to receive it in quarter-yearly payments—that is to say, one fourth part at the end of every three months; and it is to be paid to you not in new certificates, or paper money, but in actual gold and silver. To secure this to you, the duties which have been laid on goods imported, and on the tonnage of ships or vessels (and which there is every reason, from the experience we have had, to believe will be sufficient), are absolutely *mortgaged* to you, till the whole of your debt is discharged. You will not have to depend, as under most of the State governments, upon a provision from year to year, with an entire uncertainty whether it would be continued, and with many examples of fickleness and

change; but you will have to depend on a permanent provision made once for all, for the sacredness of which the faith, not of a single State, but of all the States, is solemnly bound to you, and which cannot be undone or altered, without the concurrence of three different branches of the government—the House of Representatives, the Senate, and the President of the United States. It cannot be supposed that if one of the two branches of Congress should hereafter be disposed to do so disgraceful and ruinous a thing as to repeal a law on which the credit of the government was at stake, that the other branch would be willing to concur in so pernicious a measure; or if both should be so unwise and dishonest, that the President of the United States would give his assent to it, or if he dissented, that two thirds of both Houses of Congress would be inclined to persist in spite of his disapprobation. Whoever considers the nature of our government with discernment will see, that though obstacles and delays will frequently stand in the way of the adoption of good measures, yet, when once adopted, they are likely to be stable and permanent. It will be far more difficult to *undo* than to *do*.

To destroy your confidence in future, there are too many publications which represent to you that Congress have, by their late proceedings, violated their past engagements, and that you can place no greater reliance upon those they now make than those they have heretofore made. Whether representations like these proceed from a sincere opinion in persons who have not accurately considered the matter, or

from those who wish to depreciate the government, or from those who wish to buy securities cheap, or from all these descriptions of persons, I cannot say; but from whatever source they proceed, they are certainly not candid nor just.

Congress, it is true, submit to your consideration some alterations in the nature of your claims upon the government, for certain equivalents which they hold out to you, and of which you are to judge. A principal object they have in doing this is to obtain a suspension of the payment of one third of the interest, to which you are entitled for ten years, in order to avoid the necessity of burthening the community, or carrying the taxation to objects which might be displeasing to them. And you cannot wonder that a government so lately formed, and not without considerable opposition, should be cautious in this respect.

But whether you will accept the terms offered to you is certainly left to your own choice. There is not a syllable in the law that obliges you to do it. On the contrary, there is in it an express ratification of your former contracts; and to remove all possibility of future cavil about the true import or obligation, all questions of discrimination and the like, new titles are offered to you of the like import in substance with your old ones. And your rights are thus established, and their meaning defined, so as to render their future operation, under the sanction of the Constitution, unequivocal. They are not only not violated, but if possible they have received additional strength, and have become still more inviolable.

So far is there from being any thing compulsory in the acts of the government in the case, that those of you who do not choose to subscribe to the new terms are to receive, during the time allotted for determining upon them, exactly as much as those who do subscribe. And the faith of the government remains pledged to you to fulfil its engagements, which must be performed, as fast as its resources can be brought into action for the purpose. Your only security before the late arrangement was the faith of government. There were no funds pledged to you which have been taken away. You have still the faith of government upon a renewed assurance as your pledge, and while you are deliberating on the new proposals you are to receive a payment on account.

You are therefore to decide according to your own judgment, whether an acceptance of the new terms, under all these circumstances, are preferable or not to a dependence on the future resources of the country for more. This is a question of prudent calculation which you are at liberty to determine as you please.

Whence it is evident, that whatever other objections may be against the propriety of the provision which has been made for the public debt, the charge of a breach of contract is not well founded.

The better to form a comparison between the terms proposed and those of your former contract, it may be well to recollect that the latter will be satisfied by a provision, *annually* made, for paying you six per cent. Whatever the policy of the govern-

ment may hereafter dictate, there is nothing in the existing contract that calls for a *permanent appropriation* of funds. Such a *permanent appropriation*, however, forms a part of the new loans, and will be of the essence of the new contract.

These remarks are intended to satisfy you that there is no cause, from any thing that has happened, for a diminution, but on the contrary much reason for an increase, of your confidence in the property you possess, as holders of the public debt.

I return to the subject of the value of your securities. Their present price, if compared with that at which they were current before the establishment of the new Constitution, will be deemed to be *high*, and is as great as at this time could reasonably have been expected; but compared with their true value, and the solidity of footing on which they stand, is still far too low. The rise which has already taken place is an earnest to you of their probable future rise. Such of you who do not incline to be permanent holders will at least do well to postpone a sale till after March, when the first payment of interest is to be made. The effect of this on the price of securities must undoubtedly be very favorable, and you may then calculate on a better market.

The holders of State securities have still stronger reasons for keeping those they have, the price of which, in most of the States, is out of all proportion lower than that of the present securities of the United States, and must, in all probability, undergo a considerable change for the better, as soon as funds are actually appropriated for them, which is

not now the case, but which must of course be so at the ensuing session of December. The present debt of the United States having been provided for out of the duties on imposts and tonnage only, seems to leave no doubt of the facility of devising the means of providing for the amount which has been assumed of the State debts.

END OF VOL. II.

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